Report Financial Half-yearly 06302018

NET REVENUES: €307.9 MILLION
(COMPARED WITH €292.2 MILLION AS AT JUNE 30, 2017)

GROSS OPERATING PROFIT (EBITDA): €37.4 MILLION
(COMPARED WITH €23.3 MILLION AS AT JUNE 30, 2017)

OPERATING PROFIT (EBIT): €26.1 MILLION
(COMPARED WITH €12.1 MILLION AS AT JUNE 30, 2017)

NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF €21.3 MILLION
(PROFIT OF €9.7 MILLION AS AT JUNE 30, 2017)

NET FINANCIAL DEBT: €30 MILLION
(€44.1 MILLION AS AT DECEMBER 31, 2017)

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

CONTENTS

1.BOARD OF DIRECTORS AND AUDITORS

Board of Directors

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

Board of Statutory Auditors

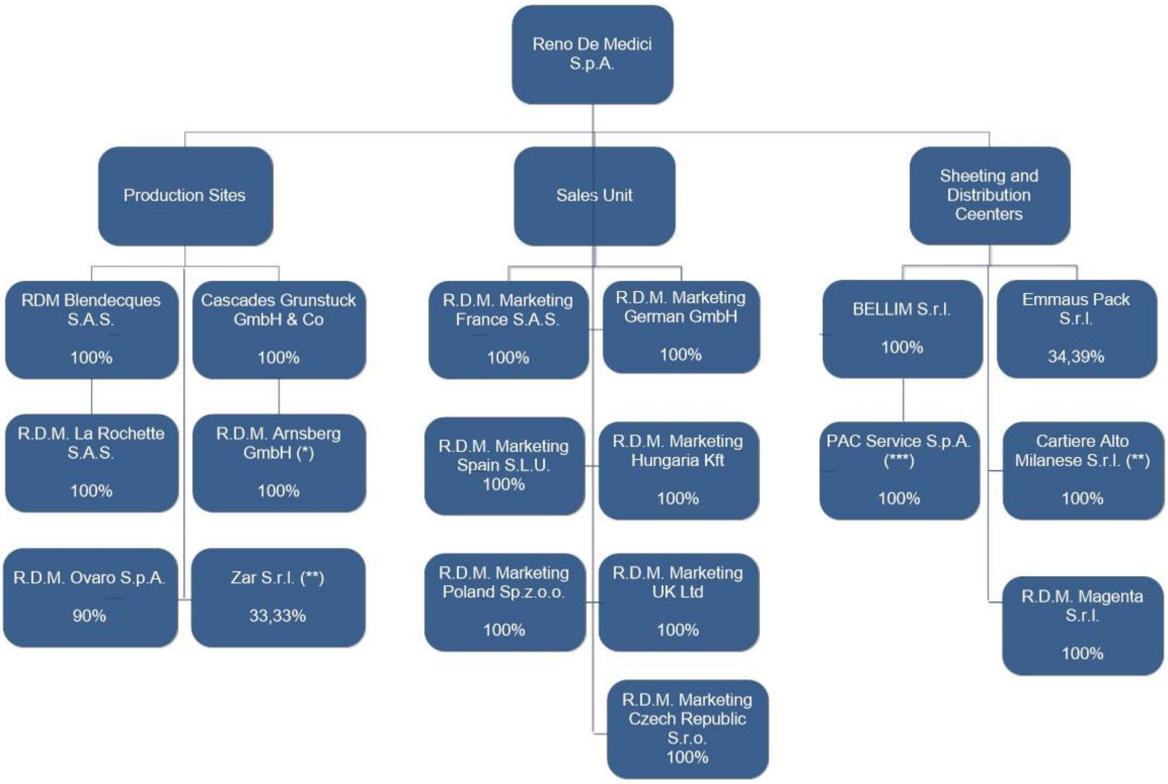
Giancarlo Russo Corvace	Chairman
Giovanni Maria Conti	Statutory Auditor
Tiziana Masolini	Statutory Auditor
Francesca Marchiori	Deputy Statutory Auditor
Domenico Maisano	Deputy Statutory Auditor

Independent Auditors

Deloitte & Touche S.p.A.

2. GROUP OPERATING COMPANIES AS AT JUNE 30, 2018

The graph below summarizes the companies of 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
(***) Company owned 60% by Reno De Medici S.p.A. and 40% by BELLIM S.r.l.

3. Introduction

This half-year financial report as at June 30, 2018 has been prepared in accordance with Legislative Decree 58/1998, as amended, and the Issuers' Regulation issued by Consob.
The condensed consolidated half-year financial statements were prepared in keeping with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee and presented in accordance with IAS 34 – Interim Financial Statements, applying the same accounting standards adopted in preparing the consolidated financial statements as at December 31, 2017.

4. Interim report on operations

RDM Group closed the first half of 2018 with sales revenues of €307.9 million, compared with €292.2 million for 2017, with EBITDA of €37.4 million, accounting for 12.1% of revenue, increasing by 60.2% compared with €23.3 million for the same period of the previous year, and with a net income of €21.3 million, compared with €9.7 million for 2017.
The results for the first half of the year include for the first time line-by-line consolidation of **PAC Service S.p.A.**, which was acquired at the end of 2017, with effect from 1 January 2018 and previously consolidated with the equity method, which contributed to the results, before the intercompany transactions, with revenue totalling €11.1 million and EBITDA accounting for €930,000.

The Group's very positive performance for the half year confirms the favorable market conditions in both sectors in which it operates, White Lined Chipboard - WLC (glossy coated paperboard made from recycled materials) and Folding Box Board - FBB (cardboard for folding cartons made using raw fibres). Therefore, the Group has achieved higher average sales prices than it achieved for the same period of the previous year. It has also optimized its product and customer mix.

In this generally favorable environment, the two sectors have different dynamics in terms of cost of their raw materials. The WLC sector has benefited from the low cost of waste paper, following the fall in prices that started in September 2017, owing to the drastic reduction of exports to China, resulting from the new environmental legislation of that country. Conversely, the FBB sector has suffered from the on-going increase in the cost of cellulose pulp, the main raw material used at the La Rochette plant, since pulp is one of the main substitutes for waste paper for Chinese importers.

The cost of energy has increased in both sectors. In the WLC segment, the impact of this increase has so far been partially mitigated by the improved energy efficiency of the production plants.

In **general macro-economic terms**, the trend in the global economy is still favorable, with significant growth rates in line with previous forecasts, although growth is expected to be less homogenous among the various economies and risks are greater than opportunities for further improvements.

The most recent IMF macro-economic forecasts (July 2018) predict global growth increasing by +3.9% in 2018, with no substantial changes compared to April forecast and a slight improvement over with the +3.7% increase in 2017.

An increase of 2.4% is forecast for **advanced economies**. This remains unchanged from 2017 and is a slight decrease compared with the +2.5% increase predicted in April, and it includes all major economies except the United States.

The IMF forecasts an increase of +2.2% for the **Euro Zone** in 2018, while in April confirmation was expected of the +2.4% increase recorded in 2017. In IMF and ECB assessments, growth remains solid. A slowdown was expected after a prolonged period of performance exceeding expectations, but the downturn observed particularly in the first quarter may imply that the slowdown has taken place earlier than expected. Regarding Italy, the growth forecast for 2018 has been reduced from +1.5% in April to +1.2%, because of fears that the increase in the widening of sovereign debt and political uncertainty could curb domestic demand.

For **emerging countries and developing economies**, the IMF confirms its forecast for 2018 of a +4.9% increase, which is slightly higher than the +4.7% increase recorded in 2017. Growth in the main commodity importing countries is robust, although it is slowing down in China. The rebound continues in countries that export commodities, driven by the increase in prices and particularly by the price of oil, which has increased by more than 15% in the period (the ICE Brent Crude Future index recorded a rise from USD 65 to USD 76 per barrel).

World trade confirms the positive trend of economic operations and growth in volumes of + 4.8% (IMF) in 2018 is expected. Also, in this case, a slowdown is expected, both compared with the significant growth recorded in 2017 (+ 5.1%), and compared with the April forecast, which is also associated with the knock-on effect of protectionist measures introduced by the US Government.

In the two sectors in which RDM Group operates, the flow of orders and backlogs has been satisfactory. Generally, there was a certain loss of momentum between the second half of Q1-2018 and the first half of Q2-2018, while the end of Q2 saw a new acceleration and the quarter closed with similar values to those of the positive previous year.

In **the WLC sector**, orders have maintained satisfactory levels, particularly at the end of Q2. Backlogs have also been satisfactory and have remained at lower levels on average than those of the previous year.

As far as shipments are concerned, performance recorded in the first half of the year in European markets as a whole is substantially in line with the performance recorded for the same period in 2017, but with differing performance among countries. Solid growth is reported in Germany (+ 4.2% compared with 2017), Northern and Eastern European countries have performed well (with growth rates of between + 2% and + 3%) and Italy has remained substantially stable. However, a decline has been recorded in certain key markets: France (-3.4%), the United Kingdom (-3.4%) and Spain (-4.6%).

Additionally, in **the FBB sector**, in which RDM operates, La Rochette S.A.S., the flow of orders was very satisfactory and in line with the previous year. Backlogs were restricted and stable, and at the end of the period, were in line with those of 2017.

In terms of shipments, in the first half of 2018, European demand grew overall by + 5.9%, compared with the same period of the previous year, with positive performance in all the main national markets and significant growth in Spain and France.

Regarding the main production factors, the decline in price of **recycled paper** that started in September 2017, specifically as a result of the restrictions imposed by the Chinese Government on imports of unsorted waste paper and restrictions in the issue of licences, continued in the first quarter of 2018, reaching reasonably configurable minimums at the end of March, in particular for certain types of waste paper (Mixed Waste Paper - MWP and Old Corrugated Containers - OCC). In the second quarter, prices started to rise slightly, with different dynamics in the key European countries. Increases were generally restricted in Italy and France but were more pronounced in Germany. However, overall, the cost of raw materials in the second quarter of 2018 was lower than that recorded in the first quarter of 2018. Moreover, prices of waste products exported to China have risen, despite volumes remaining substantially stable, because of the higher quality that pulp suppliers are now able to offer. The sharp rise in the price of locally generated waste has also led to a rise in the quantity of pulp allowed for importation.

Regarding raw **cellulose fibres**, the long period of increases that started in 2017 is continuing in the so-called ‘short fibres’ sector, because of the problem with supply matching demand, and the ‘long fibres’ sector, mainly due to the increase in demand in China, as a partial substitute for recycled paper. The price of “short fibres” exceeded USD 1,050/ton at the end of the half-year, while the price of “long fibres” reached USD 1,200/ton. The persistent weakness of the US dollar, albeit in a volatile context, partially mitigated the impact of price increases on euro values especially in the first quarter.
The impact of the increase in fibre prices on cardboard producers is significant, with a major increase in costs, specifically compared to the first half of the previous year. The Group’s subsidiary that operates in the sector, R.D.M. la Rochette S.A.S., has accordingly shown an increase in sales prices, announced at the end of 2017 and put into effect from the start of January 2018, aimed at rebalancing profits, although only partially. The subsidiary effectuated the increase in prices from April. However, the increase is still insufficient to outweigh the continuous increase in the price of pulp. Additionally, to date, the production performance of the paper mill was below expectations and has not reached full production capacity.

The prices of **chemical products for coatings** tended to increase slightly until May, then stabilized in June, nonetheless resulting in even lower prices than those for the same period of the previous year.

To sum up, in the first half of 2018 the average cost of raw materials was lower for RDM Group than for the same period of 2017.

The evolution of **energy** prices throughout the first half of 2018 confirms the current upward trend since the second half of 2017, substantially associated with the improvement in the general macro-economic environment and the resulting increase in the demand for all principal energy sources This is driven by the increase in the price of oil, which is also affected by the geopolitical tension affecting certain areas of production.

In particular, with regard to **oil**, Brent prices increased and reached the current (June) USD 80 per barrel. This upward trend is the result of elements, including growth in demand, a general decline in stock caused by production problems in certain areas (Venezuela, Libya and Algeria), and production cuts announced by OPEC and also observed by oil-producing countries not belonging to OPEC. Expectations of a continuing upward trend reflect the sustained demand expected in the future, together with the reduction in the available production capacity because of the slowing down of the investment cycle over the last 5 years.

The price of **natural gas**, the main source of energy for RDM Group, is also increasing and this also occurs in close correlation with the price of oil. This is compounded by the need to restore reserves (stock), also as a consequence of the recent harsh winter and the continuous and significant increases in the cost of coal, which are reorienting demand towards the production of energy from natural gas. In Europe, average spot prices have increased from 16/18 €/MWH in the winter months to the current prices (June), 22/24 €/MWH.

Regarding **electricity**, the price trend in Europe in the first half of 2018 was marked by substantial increases, on average close to + 20% compared with the same period of the previous year, as prices (both spot and future prices) have started to reflect increases in the prices of raw materials necessary for production and, above all, CO_2 emission dues , which reached historical highs in June, exceeding €16/ton.

The price of **coal**, the main energy source at the Arnsberg plant, underwent an increase from August 2017 until now, exceeding USD 90 /ton (API2) in June.

The average cost of energy consumed by RDM Group in the first half of 2018 is therefore higher than for the same period of the previous year, since the improved energy efficiency of the production plants in the WLC sector only partially offset the effects of the increase in energy component prices.

The **tons sold** during the period by RDM Group reached 523,000 units, compared with the 521,000 units sold in the same period of 2017. The Group’s positioning in the WLC sector resulted in a slight increase in volumes sold compared with the same period of the previous year, marked in turn by sustained levels of demand.

Sales revenue amounting to €307.9 million, compared with the same period of the previous year, amounting to €292.2 million. The increase in revenue, which was previously attributable to the WLC sector, is due to the increase in average sales prices compared with the first half of 2017 and is also a result of the improvement in the market mix and the line-by-line consolidation of PAC Service S.p.A. (+8.5 million euros, net of consolidation adjustments).

Other revenue amounting to €3.4 million, which is slightly higher than the €3.5 million of the same period of the previous year. The most representative component of these revenues consists of the revenue associated with energy (sale of energy and interruptibility).

Staff costs amounting to €45.4 million, substantially in line with the €45.2 million recorded in the first half of 2017. The increase of €0.2 million is associated, on the one hand, with higher costs, amounting to €700,000, derived from the line by line consolidation of PAC Service S.p.A. and contractual increases and, on the other, minus the costs set aside in 2017, totalling €1.2 million, for the restructuring of the business.

In the first half of 2018, **EBITDA** reached €37.4 million, which is a significant increase compared with €23.3 million in 2017, due to higher revenues derived from higher average sales prices and the lower cost of waste paper in the WLC sector. These factors largely offset the increase in the cost of cellulose pulp in the FBB sector and the (up to now contained) increase in the cost of energy.

EBIT amounts to €26.1 million, compared with €12.1 million in 2017.

Net financial charges amounted to €1 million, down from 1.6 million in 2017, due to the decrease in net financial debt, the decrease in the average cost of money from the improvement of the debt mix and the absence of foreign exchange losses recorded the previous year due to the devaluation of the US dollar.

Profit from equity investments amounted to €3.2 million, compared with €0.4 recorded in 2017. The significant increase, totalling €3 million, is due to the acquisition of the remaining share of PAC Service S.p.A., with a consequent fair value assessment of the investment previously owned (33,33%), which was measured using the equity method.

The provision for **taxes** amounted to €7 million, compared with €1.2 million in 2017, with significant increase resulting from the higher taxable income.

Consolidated net profit reached €21.3 million, with significant growth compared with the €9.7 million recorded in 2017, due to higher operating profits and the fair value assessment of PAC Service S.p.A., as above mentioned, partly offset by higher tax charges.

The Group spent a total of €6.4 million in the quarter on **investments**, compared with €9.2 million in 2017.

Consolidated net financial debt as at 30 June 2018 amounted to €30 million, with a reduction of €14.1 million compared with €44.1 million as at 31 December 2017.

Net operating cash flow was positive and was recorded at €20.6 million. However, in terms of improvement of its financial position, the impact was reduced following the payment of the final balance of €2.3 million for investment made in previous years, and by the negative impact of the exit from the factoring program of PAC Service S.p.A. of around €3 million, alongside the payment of dividends of €1.2 million.

Results for the first half of 2018

The following table summarizes the key income statement indicators as of June 30, 2018 and 2017.

	06.30.2018	06.30.2017
(thousands of Euro)		
Revenues from sales	**307,917**	**292,220**
GROSS OPERATING PROFIT (EBITDA) (1)	**37,410**	**23,347**
Operating profit (EBIT) (2)	**26,081**	**12,097**
Pre-tax income (3)	**28,251**	**10,950**
Current and deferred taxes	*(6,994)*	*(1,236)*
Profit (loss) for the period	**21,257**	**9,714**

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

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

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

Revenues from sales in the first half of 2018 for RDM Group were €307.9 million, up from the €292.2 million recorded in the corresponding period of the previous year. The increase in revenues, mainly attributable to the WLC segment, is due to the increase in average sales prices compared with the first half of 2017 and to the change in the consolidation method, from the equity method to the line-by-line method, of the company PAC Service S.p.A. following the acquisition of a further 67% of its shares (+€8.5 million, net of consolidation adjustments).

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

RDM GROUP	06.30.2018	Inc. % %	06.30.2017	Inc. % %
(thousands of Euro)				
Areas				
Italy	103,525	34 %	94,776	33 %
EU	167,171	54 %	164,604	56 %
Non-EU	37,221	12 %	32,840	11 %
Total revenues from sales	**307,917**	**100 %**	**292,220**	**100 %**

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

In the course of its business activities, Reno De Medici Group is exposed to external risks and uncertainties, deriving from exogenous factors associated with the general or specific macroeconomic context of the operating segment in which such activities are carried out, as well as risks deriving from strategic choices and internal operational risks.
For a detailed analysis of the risks, see section 5.6.2 of the illustrative notes, as well as the "Outlook" section.

Key events

From 1 January 2018, the effective date of the acquisition of its residual investment, **PAC Service S.p.A.** has been fully consolidated.

On 12 February 2018, the merger by incorporation into Reno De Medici S.p.A. of **R.D.M. Marketing S.r.l.** was completed, the related accounting and tax effects are effective from 1 January 2018, while legally it is effective from 1 April 2018.

On 28 March 2018, Reno De Medici S.p.A. sold its investment in **Manucor S.p.A.** This investment was entirely depreciated in previous years and therefore its sale generated a non-significant capital gain.

On 14 June 2018, the Board of Directors of Reno De Medici S.p.A. approved a project for acquiring 100% of **Barcelona Cartonboard S.A.U.**, a company incorporated under Spanish law and operating in the coated cardboard sector.

The Board accordingly assigned to the Managing Director the task of proceeding with the drawing up and formalisating the related contractual documents. The purchase contract was signed on 2 July 2018, with effects suspended conditional on legal authorisation by the competent antitrust authorities. Finalisation is expected by the end of 2018.

Barcelona Cartonboard S.A.U. was founded in 1967 and operates in the sector producing coated cardboard made from recycled fibre (White Lined Chipboard - WLC) and, secondly, from virgin fibre (FBB - Folding Box Board), a business sector in operation since the end of 2016. The company has registered offices and a production plant in Castellbisbal, Catalonia, an annual production capacity of 180,000 tons and employs approximately 230 people.

Barcelona Cartonboard S.A.U. is the largest carton producer in Spain, one of the key paper mills in Southern Europe and the seventh largest European manufacturer in the WLC sector. In the last financial year ended 31 December 2017, the company recorded (Spanish accounting principles) sales revenue of €122.3 million, EBITDA of €5.1 million and a net profit of €1.4 million. Net financial debt stood at €11.5 million as at 31 December 2017.

Barcelona Cartonboard received strategic investments of over €18 million in the two-year period 2016-17 and ranks among the prime European paper mills in terms of production capacity, speed and and effectiveness of the machinery, and is one of the most modern plants, recognised for the high-quality level of the cardboard produced.

The acquisition of Barcelona Cartonboard S.A.U. will allow RDM Group to strengthen its presence in a well-known market, to optimise its product portfolio and to further improve the level of service it provides to current and new customers. Strategic customers can be reached more rapidly, because of the proximity of the Barcelona plant to some major European converters. Because of the expertise and best practices of RDM Group in the production of recycled fibre board, Barcelona Cartonboard will be able to fully reach its industrial potential through the efficiency of its production cycle and its increase in plant capacity and will benefit from the economies of scale resulting from belonging to the Group.

Its provisional share price is based on an Enterprise Value of €46.4 million - calculated on a pro-forma EBITDA for 2018 of €8.2 million - and on an NFP estimated at approximately €9.9 million. The price will be subject to subsequent contractual adjustments resulting from the level of the NFP and the working capital on the effective date of the operation.

The acquisition will be financed by Reno De Medici S.p.A. mainly through the use of a specific external line of credit.

Reno De Medici S.p.A. has assigned UniCredit S.p.A. as its exclusive financial advisor for the operation.

On 19 June 2018, Reno De Medici S.p.A., in accordance with the agreements signed with **Friulia S.p.A.** in 2017, repurchased, at a cost of €646.418, a further 5% stake of the shareholding owned by Friulia S.p.A. in R.D.M Ovaro S.p.A. Following this operation, the remaining share still held by Friulia S.p.A. is equivalent to 10% and will be repurchased in two equal shares on 30 June, in 2019 and 2020.

Other information

Authorization to buy and sell treasury shares

Following the expiry of the term of the previous authorization granted by the Shareholders' Meeting of November 2, 2015, the Shareholders' Meeting of April 30, 2018 adopted the resolutions authorizing the purchase and sale of ordinary treasury shares pursuant to Articles 2357 and 2357-ter of the Italian Civil Code.

Below, the main elements of the Plan authorized by the Shareholders' Meeting:

Rationale

- to sell the treasury shares purchased, or which are already in the portfolio, against allotment of these shares in the context of the Stock Grant Plan reserved for the CEO of the Company as established by the Shareholders' Meeting held on April 28, 2017 in accordance with Article 114-*bis* of the TUF;
- to use the treasury shares purchased, or which are already in the portfolio, to service any further compensation plans based on financial instruments pursuant to Article 114-*bis* of the TUF, reserved for Reno De Medici S.p.A. directors and/or employees as well as for free share allotment programs to shareholders.
- to provide the company with a portfolio of its own shares (the “stock of securities”) to be used for any extraordinary transactions;
- to avail itself of investment or disinvestment opportunities (based on available liquidity) if this is deemed to be strategic by the Board of Directors;
- to use treasury shares to exercise any rights, including conversion rights, deriving from financial instruments issued by the Company, its subsidiaries or third parties;
- to pursue any activities in support of market liquidity.

Duration

Until the Shareholders' Meeting convenes to approve the 2018 financial statements and, in any case, for no longer than 18 months from the date of the resolution.

The authorization to dispose of treasury shares is not subject to time limits.

Maximum number of shares that can be purchased

No more than one fifth of the share capital, considering the treasury shares already held by the Company and any shares acquired by subsidiaries.

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

Purchase procedure / minimum and maximum price

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

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

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

Any purchases made to support market liquidity and for the purchase of treasury shares for the formation of a "stock" of securities, will also be made in compliance with the conditions provided for by market practices as per the combined provisions of Article 180, paragraph 1, letter C) of the TUF and Article 13 of Regulation (EU) 596/2014.

Purchase of treasury shares in the first half of 2018

As at June 30, 2018, Reno De Medici S.p.A. held a total of 1,434,159 treasury shares or 0.38 % of the share capital totaling an book value of €482,566.
In the first half of 2018, Reno De Medici S.p.A. did not carry out any buyback transactions nor did any subsidiaries purchase or dispose of Reno de Medici S.p.A. shares.

Stock Grant Plan for the three-year period 2017/2018/2019 reserved for the CEO. Verification of the achievement of the performance objectives for the financial year 2017.

During the six-month reference period, with the support of the Remuneration Committee, the Board of Directors ascertained the achievement of the performance objectives set for the 2017 financial year in relation to the Stock Grant Plan for the three-year period 2017/2018/2019 reserved for the CEO, as established by the Shareholders' Meeting of April 28, 2017 pursuant to Article 114-*bis* of the TUF.

Consequently, the rights attributed to the beneficiary for the 2017 financial year, regarding free of charge assignment of a total of 935,872.40 ordinary Reno De Medici S.p.A. shares may only be fully exercised at the end of the three-year reference period of the Plan provided that the CEO continues in that position as at that date.
Regarding the objectives and 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.

Outlook

Regarding the **general macro-economic environment**, the outlook for 2018 will see further strengthening of the global economy, albeit with signs of a slowdown in advanced economies, as already noted at the start of this management report. Additionally, risks appear to be greater than opportunities, and the most significant risks are the possible effects of geopolitical tensions in certain areas of the world and the growing commercial tensions arising from the new protectionist policy adopted by the United States.

In both the sectors in which RDM Group operates, **White Lined Chipboard (WLC)** and **Folding Box Board (FBB)**, the outlook remains positive with strong demand, even though there are some signs of a slowdown

Regarding the main production factors and in particular the prices of **waste paper and virgin fibres**, development in the future is uncertain and it is only possible to make short term forecasts.

Paper prices in the remaining part of the year may continue to rise slightly, as it differs among the main markets. Limited growth is expected in Italy, to the extent that export volumes will be the same as the current ones. In France, price fluctuations are expected to be similar to those of the Italian market, but with more volatility, while in Germany the upward trend may be more pronounced.

The prices of virgin fibres are expected to remain at current high levels, perhaps falling slightly in the autumn, for seasonal reasons, but with a medium-term trend that is still rising.

The expected development of energy prices should be stable for the rest of 2018, in the energy component of supplies, with a consequent impact on the cost of energy for Reno De Medici Group.

Intragroup and related-party transactions

In implementation of Article 2391-*bis* of the Italian Civil Code and in accordance with the general principles set out in the "Regulation on Related Party Transactions" (the "Consob Regulation"), issued by Consob with resolution No. 17221 of March 12, 2010 as it was subsequently amended, on October 8, 2010, the Board of Directors approved the "Procedure for Related Party Transactions" (the "Reno de Medici Procedure"), subject to the concurring opinion of a Committee consisting exclusively of directors qualified as independent, in application of the Borsa Italiana S.p.A. Code of Conduct.

The Procedure describes the rules, roles, responsibilities and activities implemented in order to ensure the transparency and substantial and procedural correctness of related party transactions carried out by the Company, whether directly or through subsidiaries.

The "Procedure for Related Party Transactions" is available at www.rdmgroup.com - in the Governance section > Committees and other bodies > Related Parties Committee.

Including with regard to the provisions of Article 5, paragraph 8 of Consob Regulation, it should be noted that during the half-year under review:

- no transactions of greater importance were concluded, as these are defined in Reno de Medici Procedures in compliance with the provisions of the Consob Regulation;
- there were no transactions with related parties, as these are defined pursuant to Article 2427, paragraph 2, of the Italian Civil Code, with a material impact on the financial position or results of the companies;
- 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.

Information on related-party transactions, including the information required by the Consob Notice of July 28, 2006, is presented in Note 5.7 to the condensed consolidated half-year financial statements as at June 30, 2018.

Reno De Medici Group

Condensed consolidated half-year financial statements

as at June 30, 2018

5. Condensed consolidated half-year financial statements as at June 30, 2018

5.1. Consolidated income statement

	Note	06.30.2018	06.30.2017
(thousands of Euro)			
Revenues from sales	1	307,917	292,220
- of which related parties		*7,027*	*12,578*
Other revenues and income	2	3,372	3,533
- of which related parties		*57*	*81*
Change in inventories of finished goods	3	(1,631)	(1,331)
Cost of raw materials and services	4	(224,364)	(224,923)
- of which related parties		*(45)*	*(2,679)*
Personnel cost	5	(45,358)	(45,154)
Other operating costs	6	(2,526)	(998)
Gross operating profit		**37,410**	**23,347**
Amortization and depreciation	7	(11,329)	(11,250)
Operating profit		**26,081**	**12,097**
Financial expense		*(1,090)*	*(1,288)*
Gains (losses) on foreign exchange		*78*	*(290)*
Financial income		10	*5*
Net financial income (expenses)	8	(1,002)	(1,573)
Gains (losses) on investments	9	3,172	426
Taxes	10	(6,994)	(1,236)
Profit (loss) for the period		**21,257**	**9,714**
Total profit (loss) for the period attributable to:			
- Group		21,257	9,714
- Minority interests			
Average number of shares			
Basic		377,535,453	377,522,561
Diluted		377,535,453	377,522,561
Basic earnings (loss) per ordinary share (Euros)		0.06	0.03
Diluted earnings (loss) per ordinary share (Euros)		0.06	0.03

5.2. Consolidated statement of comprehensive income

	06.30.2018	06.30.2017
(thousands of Euro)		
Profit (loss) for the period	**21,257**	**9,714**
Other components of comprehensive profit (loss)		
Other components that may be transferred to the income statement in subsequent financial periods:	**15**	**32**
Change in fair value of cash flow hedges	21	*35*
Profit (loss) on translation of financial statements of foreign investee companies	(6)	*(3)*
Other components that will not be transferred to the income statement in subsequent financial periods:		
Actuarial gain (loss) on employee benefits		
Total other components of comprehensive profit (loss)	**15**	**32**
Total comprehensive profit (loss)	**21,272**	**9,746**
Total comprehensive profit (loss) attributed to:		
- Group	**21,272**	**9,746**
- Minority interests		

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

5.3. Consolidated statement of financial position

	Note	06.30.2018	12.31.2017
(thousands of Euro)			
ASSETS			
Non-current assets			
Tangible fixed assets	11	192,534	192,570
Goodwill	12	4,389	
Intangible fixed assets	13	7,044	4,613
Intangible assets with an indefinite useful life	13	3,948	3,948
Equity investments	14	749	4,577
Deferred tax assets		870	1,256
Other financial receivables	17	8,304	17,764
Total non-current assets		**217,838**	**224,728**
Current assets			
Inventories	16	84,811	83,659
Trade receivables	15	79,887	63,736
- of which related parties		*3*	*350*
Receivables from associates and joint ventures	15	8,353	7,126
Other financial receivables	17	8,212	11,204
Cash and cash equivalents	18	29,504	19,128
Total current assets		**210,767**	**184,853**
TOTAL ASSETS		**428,605**	**409,581**

(thousands of Euro)	Note	06.30.2018	12.31.2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		140,000	140,000
Other reserves		29,496	19,363
Retained earnings (losses)		(2,432)	(5,466)
Profit (loss) for the period		21,257	14,568
Shareholders' equity attributable to the Group		**188,321**	**168,465**
Minority interests			
Total shareholders' equity	19	**188,321**	**168,465**
Non-current liabilities			
Debts to banks and other lenders	18	39,911	44,277
Derivative instruments	18	81	138
Other payables			26
Deferred taxes		9,418	8,924
Employee benefits	21	34,532	33,950
Non-current provision for risks and charges	22	4,994	4,701
Total non-current liabilities		**88,936**	**92,016**
Current liabilities			
Debts to banks and other lenders	18	20,263	19,512
Derivative instruments	18	152	133
Trade payables	23	101,180	105,027
- of which *related parties*		*6*	*28*
Payables to associates and joint ventures	23	17	952
Other payables	20	21,915	20,777
Current taxes		6,935	1,501
Employee benefits	21	94	141
Current provision for risks and charges	22	792	1,057
Total current liabilities		**151,348**	**149,100**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**428,605**	**409,581**

5.4. Consolidated statement of changes in shareholders’ equity

	Capital	Treasury shares reserve	Legal reserve	Other reserves	Retained earnings (losses)	Profit (loss) for the period	Hedging reserve	Reserve for “Actuarial gain/(loss)”	Total Shareholders’ Equity (Group)	Total Shareholders’ Equity (minority shareholders)	Total Shareholders’ equity
(thousands of Euro)											
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 profit (loss) for the period			339	5,442	(3,652)	(2,129)					
Purchase of Treasury shares		(301)							(301)		(301)
Stock Grant reserve				158					158		158
Profit (loss) for the period						9,714			9,714		9,714
Other components of comprehensive profit (loss)				(3)			35		32		32
Total comprehensive profit (loss)				**(3)**		**9,714**	**35**		**9,746**		**9,746**
Shareholders’ equity at 06.30.2017	**140,000**	**(483)**	**958**	**26,322**	**(5,461)**	**9,714**	**(278)**	**(6,956)**	**163,816**		**163,816**

(thousands of Euro)	Capital	Treasury shares reserve	Legal reserve	Other reserves	Retained earnings (losses)	Profit (loss) for the period	Hedging reserve	Reserve for "Actuarial gain/(loss)"	Total Shareholders' Equity (Group)	Total Shareholders' Equity (minority shareholders)	Total Shareholders' equity
Shareholders' equity at 12.31.2017	**140,000**	**(483)**	**959**	**26,606**	**(5,466)**	**14,568**	**(201)**	**(7,518)**	**168,465**		**168,465**
Dividends distributed						(1,172)			(1,172)		(1,172)
Allocation of profit (loss) for the period			518	9,844	3,034	(13,396)					
Purchase of Treasury shares											
Stock Grant reserve				259					259		259
IFRS 9				(503)					(503)		(503)
Profit (loss) for the period						21,257			21,257		21,257
Other components of comprehensive profit (loss)				(6)			21		15		15
Total comprehensive profit (loss)				**(6)**		**21,257**	**21**		**21,272**		**21,272**
Shareholders' equity at 06.30.2018	**140,000**	**(483)**	**1,477**	**36,200**	**(2,432)**	**21,257**	**(180)**	**(7,518)**	**188,321**		**188,321**

5.5. Consolidated statement of cash flows

	06.30.2018	06.30.2017
(thousands of Euro)		
Profit (Loss) for the period	21,257	9,714
Taxes	6,994	1,236
Amortization and depreciation	11,329	11,255
Losses (gains) from equity investments	3,172	(426)
Financial income (expense)	1,002	1,283
Write-downs (revaluations) of financial assets	(24)	
Capital losses (gains) on sale of fixed assets	(272)	(14)
Change in provisions for employee benefits and in other provisions including the provision for bad and doubtful receivables	454	(464)
Change in inventories	3,223	(3,934)
Change in trade receivables	(8,323)	(18,633)
- of which related parties	*347*	*(1,503)*
Change in trade payables	(9,271)	6,479
- of which related parties	*(22)*	*(620)*
Total change in working capital	**(14,371)**	**(16,088)**
Gross cash flows	**23,196**	**6,496**
Interest paid in the year	(740)	(1,140)
Taxes paid in the year	(881)	(1,179)
Cash flow from operating activities	**21,576**	**4,177**
Other equity investments		(1,752)
Investment net of disinvestment in tangible and intangible assets	(6,070)	(9,205)
Dividends received	103	120
Cash flow from investing activities	**(5,967)**	**(10,837)**
Dividends paid	(1,172)	(1,003)
Treasury shares		(301)
Change in other financial assets and liabilities and short-term bank debts	(768)	(307)
- of which related parties		*4*
Change in medium/long-term loans	(6,006)	(6,884)
Cash flow from financing activities	**(7,946)**	**(8,495)**
Exchange rate translation differences	**(6)**	**(3)**
Change in unrestricted cash and cash equivalents	**7,657**	**(15,158)**
Unrestricted cash and cash equivalents at the beginning of the period	**19,128**	**29,331**
Cash and cash equivalents acquired (*)	**2,719**	
Unrestricted cash and cash equivalents at the end of the period	**29,504**	**14,173**

(*) The caption “Cash and cash equivalents acquired” is related to the balance of cash and cash equivalents of PAC Service S.p.A. as of January 1, 2018.

5.6. Notes to the financial statements

Reno De Medici S.p.A. is a company which is established as a legal entity under Italian law. RDM Group operates mainly in Europe. The business of the Group is the production and distribution of cartonboard made from recycled fibers and, even if lower level, from virgin fibers.

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

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

The condensed consolidated half-year financial statements of RDM Group were approved and authorized for publication by the Board of Directors of RDM on Tuesday, July 31, 2018.

5.6.1 Accounting standards and valuation criteria

The condensed consolidated half-year financial statements were prepared according to the going concern assumption.

The condensed consolidated half-year financial statements were prepared according to IAS 34 – Interim financial statements, applying the same accounting standards used to prepare the consolidated financial statements as at December 31, 2017, except for what described in the next section "IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet applicable except on an early adoption basis”.

The condensed half-year financial statements were prepared on the basis of the general principle of historical cost, except for derivative financial instruments, which are recognized at fair value, and financial liabilities, which are recognized on the basis of the amortized cost method. The carrying amount of hedged assets and liabilities which are qualified for hedge accounting is adjusted to take into account changes in the fair value due to hedged risks.
The Group has chosen to present the structure and content of its consolidated financial statements in the following manner:

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

Preparing the interim financial statements requires management to make assumptions that have an effect on the amounts of revenues, costs, assets and liabilities on the financial statements and on the information regarding potential assets and liabilities on the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment, should prove outdated due to differing trends in the operational context than those forecast, these would be consequently modified in the period during which the changes became manifest. For a broader description of the Group's most relevant valuation procedures, see the section "Estimates and valuations" in the consolidated financial statements as at December 31, 2017.
It should also be noted that some valuation procedures, especially the more complex ones such as the determination of possible impairment losses on non-current assets, are generally carried out in a more complete manner only for the annual financial statements, when all the detailed information is available, as well as in cases of impairment indicators requiring an immediate valuation of any impairment losses.

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

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

- IFRS 16 – Leases, applicable starting from January 1, 2019 and not early applied by the Group.
  The company is conducting the necessary qualitative analyses to define the probable effects due to the application of this standard;

- IFRS 15 – Revenue from Contracts with Customers, applied from January 1, 2018. The adoption of such principle did not give any impact in the financial statement;

- IFRS 9 – Financial Instruments: This principle replaced IAS 39 effectively starting from January 1, 2018, and (i) introduced new rules for classification and measurement of financial assets based on the characteristics of the financial instruments and on the business model adopted by the company, which for RDM Group is the Model "Held-to-collect" and "Held-to-collect and sell"; (ii) introduced new rules for assessing the deterioration of financial assets which consider the expected credit losses; and (iii) modified the rules regarding the hedge accounting.

1 Temporary arrangements

The comparative data for the first year of application have not been recalculated in line with the simplified approach of IFRS 9. As a result:

- all the differences between the book value of the financial assets and liabilities as at December 31, 2017 and those as at January 1, 2018 are reported in the opening shareholders' equity;
- in the comparison period the financial instruments maintain the previous classification;
- the effects of the impairment of the financial assets were not calculated in the comparison period;
- the company decided to continue to apply the rules of IAS 39 to the hedge accounting as permitted under the new IFRS 9.

2 Main impacts

2.1 Classification and valuation

The main impacts resulting from the new classification and valuation requirements involve the minority interests and the placement of trade receivables in the new categories "held-to-collect" and "held-to-collect and sell".

The minority interests of the Group classified according to IAS 39 in the Available for Sale categories were reclassified in the category assets at fair value transferred from the income statement. The application of the new requirements introduced by IFRS 9 for the classification of equity investments led the Group to analyze the requirements of the agreements relating to the Consortium Company Paper Interconnector A following the analysis carried out and taking into consideration the value of the electricity purchase agreement associated with the investment made, with the equity investment reclassified under the item Intangible Fixed Assets.

Taking into consideration the Group business model, trade receivables were classified in the categories "held-to-collect" and "held-to-collect and sell" which involve the valuation at fair value with the counterparty of the other comprehensive income statement components.

(thousands of Euros)			**IFRS 9 Categories**				
IAS 39 Categories	**Amount as of 12.31.2017**	**Held to collect**	**Held to collect and sell**	**Other**	**Fair Value without P&L reversal**	**Fair Value Reserve 01.01.2018**	**Net Fair Value Reserve 01.01.2018**
Equity investments	**4,577**			4,577			
Other receivables	**28,968**	28,968					
Trade receivables	**63,736**	60,014	3,722				
Receivables from associates and joint ventures	**7,126**	7,126					
Cash and cash equivalents	**19,128**	19,128					
Payables to banks and other lenders	**63,789**	63,789					
Derivative instruments	**271**			271			
Other payables	**20,803**	20,803					
Trade payables	**105,027**	105,027					
Payables from associates and joint ventures	**952**	952					

2.2 Impairments

The retrospective application of the provisions of the impairment model required by IFRS 9 to all the financial assets involved created an impact equal to €503 thousand (excluding taxes) recorded in the opening shareholders' equity as at January 1, 2018.

2.3 Hedge accounting

As pointed out previously, the company decided to continue to apply the rules of IAS 39 to hedge accounting as permitted by the new IFRS 9.

2.4 Summary of the impacts on the changes in the Group's shareholders' equity (excluding taxes) as at January 1, 2018

(thousands of Euros net of tax effects)	**Shareholders' equity**
Shareholders' equity as of December 31, 2017	**168,465**
Trade receivables' devaluation	(451)
Other financial assets' devaluation	(52)
Recomputed Shareholders' equity as of December 31, 2017	**167,962**

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

- IFRS 14 – Regulatory Deferral Accounts;
- IFRS 17 – Insurance Contracts;
- IFRS 10 and IAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint-Venture;
- Annual Improvements to IFRSs: 2015-2017 Cycle;
- Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Amendment to IAS 19: Plant Amendment, Curtailment or Settlement;
- IFRIC 23 – Uncertainty over Income Tax Treatments.

The company is currently performing the qualitative analyses required to define the probable effects of application of the above principles.

Impairment testing

Every six months, the Group reviews the carrying amount of its tangible and intangible assets and investments to determine whether there are any indicators that these assets have become impaired. 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 RDM Group CGUs, with the exception of the newly-acquired PAC Service S.p.A.; however 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 becoming evident, the test appears to be worthwhile.

Based on the recommendations contained in Joint Document No. 4 of March 4, 2010 of the Bank of Italy, Consob and ISVAP, the Group has described in detail the main assumptions used to calculate the recoverable amount (value in use) as at December 31, 2017, relating to estimated operating cash flows, the discount rate and the final growth rate, and it had prepared sensitivity analyses on test results with respect to changes in the basic assumptions for determining the value in use of the cash generating units; this sensitivity analysis indicated 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 RDM Blendecques CGU.

On the basis of the above, the Directors believe that the medium/long-term precautionary valuations used for the impairment testing for the business outlook up to 2017 continue to apply; however, considering that these valuations were determined on the basis of estimates of future developments, the Group cannot be certain that these valuations will not require revision, in which case the results could have an effect on the value.

5.6.2 Financial risk management policy

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. In this general environment, the current context is characterized by an improvement in the economy and the good performance of demand and consequently lower pressure on selling prices in the sector in which Reno De Medici Group operates.

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, new additional production capacity in adjoining sectors (particularly containerboard) and exports to China, which themselves are dependent on that country's economic growth and the policies adopted by the Chinese government. This risk is very limited in the short term, especially due to the restrictions on imports of waste products introduced by the Chinese government at the end of 2017, with the ensuing reduction in market prices.

The risks associated with energy price fluctuations are now increasing, although the impact on costs is mitigated by the greater energy efficiency of production plants. 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 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 positive 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 June 30, 2018, the Group has cash available and uses a very small portion of short-term lines of credit, except for the without recourse assignment of trade receivables (non-recourse factoring). As at June 30, 2018, medium- and long-term debt totaled €60 million, of which €23.6million at an unhedged floating rate. At June 30, 2018, cash and cash equivalents stood at €29.5 million. A slow and steady rise in interest rates is expected in 2018, particularly in the second half of the year, caused partly by the expected reduction in the European Central Bank's quantitative easing program.

Liquidity risk

Liquidity risk is defined as the risk of not meeting 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 June 30, 2018, the net financial debt of RDM Group was equal to €30 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.
Reno De Medici Group has many tools to effectively manage this risk: insurance agreements were entered into with a leading credit insurance company; and various agreements were also entered into for the non-recourse sale of receivables.
Any uninsured and/or uninsurable positions are monitored continually by the appropriate 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 are pegged to the dollar, we consider that the net exposure is at a contained level in relation to the overall size of the business.

Capital risk

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

5.6.3 Scope of consolidation

The financial position, results and cash flows of RDM Group include the financial position, results and cash flows of Reno De Medici S.p.A. and of the companies over which it has the right to exercise control. The definition of control is not based solely on the concept of legal ownership. IFRS 10 introduced a more solid definition of control compared with the past, based on three elements: (a) power over the business purchased; (b) exposure or rights, at variable returns resulting from involvement with the latter; (c) capacity to utilize the power to influence the amount of these returns. IFRS 10 stipulates that 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 required by IFRS 3 Revised;

- all balances and significant transactions between Group companies are eliminated, as are any profits and losses (unless losses indicate an impairment of the sold asset requiring recognition) arising from commercial or financial intragroup transactions not yet realized with third parties;
- any increases or decreases in a subsidiary’s equity arising from its post-acquisition results are recorded upon elimination in the “Retained earnings (losses)” equity reserve;
- dividends distributed by Group companies were eliminated from the income statement upon consolidation.

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

Corporate name	Registered office	Business	Share capital	Control percentage			
				06.30.2018		12.31.2017	
			(€/000)	direct	indirect	direct	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	90.00%		85.00%	
R.D.M. La Rochette S.A.S.	La Rochette (F)	Industrial	4,000		100.00%		100.00%
PAC Service S.p.A.	Vigonza (I)	Industrial	1,000	60%	40%	33.33%	
BELLIM S.r.l.	Vigonza (I)	Services	10	100%			
R.D.M. Marketing S.r.l.	Milan (I)	Commercial				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	19		100.00%		100.00%
R.D.M. Marketing Hungaria Kft.	Budapest (HU)	Commercial	18		100.00%		100.00%
R.D.M. Marketing Poland Sp. z o.o.	Warsaw (P)	Commercial	11		100.00%		100.00%

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

Corporate name	Head office	Business	Share capital (€/000)	Control percentage 06.30.2018 direct	Control percentage 06.30.2018 indirect	Control percentage 12.31.2016 direct	Control percentage 12.31.2016 indirect
Associates							
Emmaus Pack S.r.l.	Milan (I)	Industrial	200	34.39%		34.39%	
Joint ventures							
ZAR S.r.l. in liquidation	Silea (I)	Industrial	90	33.33%		33.33%	
Manucor S.p.A.	Milan (I)	Industrial				22.75%	

The scope of consolidation changed on Saturday, June 30, 2018. In particular:

- on February 12, 2018, R.D.M. Marketing S.r.l was merged into Reno De Medici S.p.A.;
- on January 1, 2018, the acquisition of 66.67% of PAC Service S.p.A. became effective; therefore, starting from that date, this company was consolidated on a line by line basis;
- on March 28, 2018, a 22.75% stake in the company Manucor S.p.A. was sold.

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

5.6.4. Notes to the financial statements for the first half of 2018

Segment Information

As provided for by IFRS 8 – Operating Segments, the segments identified and the respective information included under segment information are based on the reports used and analyzed by company management to evaluate results and make key strategic decisions.
The adopted segment division has divided the business 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 the second level of segmentation, the Italian segment includes the production plants of Ovaro, Villa Santa Lucia, Santa Giustina, as well as the cutting and/or distribution centers like R.D.M. Magenta S.r.l. and Cartiera Alto Milanese S.r.l. in liquidation; the German segment includes the Arnsberg production plant; the French segment refers to the Blendecques mill. In the FBB sector, the French segment is made up of the La Rochette mill.

The economic measure of the results achieved by each operating segment is the profit or loss for the period, within which operating profit and gross operating profit are specifically identified. There is no need to reconcile the segment valuations contained in this section with the figures included in the financial statements in this report, as all the displayed income components are measured using the same accounting policies adopted for the preparation of the Group’s condensed half-year financial statements. The “Unallocated items and adjustments” include amounts deriving from inter segment transactions among the different sectors.

The following table provides operating information by geographical area for the first half of 2018 and the first half of 2017:

Income statement 06.30.2018	WLC				FBB	Unallocated items and adjustments	Consolidated
	Italy	Germany	France	Total	France		
(thousands of Euro)							
Revenues from sales	**162,199**	**59,967**	**30,068**	**252,234**	**62,126**	**(6,443)**	**307,917**
Intercompany	(6,159)			(6,159)	(284)	(6,443)	
Net sales revenues from third parties	**156,040**	**59,967**	**30,068**	**246,075**	**61,842**		**307,917**
Gross operating profit	**28,086**	**7,111**	**752**	**35,949**	**1,782**	**(321)**	**37,410**
Amortization and depreciation	(6,935)	(3,233)	(525)	(10,693)	(550)	(86)	(11,329)
Operating profit	**21,151**	**3,878**	**227**	**25,256**	**1,232**	**(407)**	**26,081**
Net financial income (expenses)	(408)	(95)	(179)	(682)	(293)	(27)	(1,002)
Gains (losses) on investments	203			203		2,969	3,172
Taxes	(5,200)	(1,209)	(381)	(6,790)	(230)	26	(6,994)
Profit/loss for the period	**15,746**	**2,574**	**(333)**	**17,987**	**709**	**2,561**	**21,257**
Portions of profit (loss) of equity-accounted investments	25			25			25

Income statement 06.30.2017	WLC				FBB	Unallocated items and adjustments	Consolidated
	Italy	Germany	France	Total	France		
(thousands of Euro)							
Revenues from sales	**144,260**	**61,226**	**25,884**	**231,370**	**63,986**	**(3,136)**	**292,220**
Intercompany	(3,136)			(3,136)		3,136	
Net sales revenues from third parties	**141,124**	**61,226**	**25,884**	**228,234**	**63,986**		**292,220**
Gross operating profit	**15,731**	**4,230**	**(1,566)**	**18,395**	**4,952**		**23,347**
Amortization and depreciation	(6,548)	(3,936)	(486)	(10,970)	(354)	74	(11,250)
Write-downs							
Operating profit	**9,183**	**294**	**(2,052)**	**7,425**	**4,598**	**74**	**12,097**
Net financial income (expenses)	(1,002)	(227)	(212)	(1,441)	(123)	(9)	(1,573)
Gains (losses) on investments						426	426
Taxes	(815)	(24)	(26)	(865)	(334)	(37)	(1,236)
Profit/loss for the period	**7,366**	**43**	**(2,290)**	**5,119**	**4,141**	**454**	**9,714**
Portions of profit (loss) of equity-accounted investments	426			426			426

Notes

It should be noted that the changes in the income statement balances as at June 30, 2018 were affected by the change in the consolidation criterion of the subsidiary PAC Service S.p.A. from the equity method to the line-by-line method.

1. Revenues from sales

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

	06.30.2018	06.30.2017	Variation	%
(thousands of Euro)				
Italy	103,525	94,776	8,749	9.2%
European Union	167,171	164,604	2,567	1.6%
Rest of the world	37,221	32,840	4,381	13.3%
Total revenues from sales	**307,917**	**292,220**	**15,697**	**5.4%**

Revenues from sales in the first half of 2018 for RDM Group were €307.9 million, up from the €292.2 million recorded in the corresponding period of the previous year. The increase in revenues, mainly attributable to the WLC segment, is due to the increase in average sales prices compared with the first half of 2017 and to the change in the consolidation method, from the equity method to the line-by-line method, of the company PAC Service S.p.A. following the acquisition of a further 67% of its shares (+€8.5 million, net of consolidation adjustments).

2. Other revenues and income

Other revenues and income as at June 30, 2018 mainly comprise revenues deriving from participation in the energy interruptibility service (€0.9 million), income from the sale of electricity during the first half of 2018 (€1 million), Indemnities (€0.2 million), contingent assets (€0.2 million), capital gains from the sale of assets (€0.3 million) and commissions on sales made by R.D.M. Marketing Spain S.L.U. on behalf of a third party company (€0.2 million) and other smaller revenues.

3. Change in inventories of finished goods

The change in inventories during the first half of 2018 is due to the change in physical inventories.

4. Cost of raw materials and services

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

	06.30.2018	% of value of production (**)	06.30.2017	% of value of production (**)
(thousands of Euro)				
Cost for raw materials	139,889	45.7%	144,237	49.6%
Cost of services	82,736	27 %	79,098	27.2%
Cost for use of third-party assets	1,739	0.6%	1,588	0.5%
Total	**224,364**	**73.3%**	**224,923**	**77.3%**

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

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

The cost of raw materials fell following the reduction in the average cost of raw materials compared with the same period in 2017; the WLC segment actually benefited from the low cost of waste paper after the drastic reduction in exports to China due to the new environmental regulations in that country. This positive effect was only partly offset by the increase in pulp.

The increase in "cost for services", compared with the figures at June 30, 2017, was mainly due to the change in the scope of consolidation as a result of the acquisition of PAC Service S.p.A., to the increase in waste disposal costs, to the increase in commission fees following higher sales prices and to the increase in energy costs.

5. Personnel cost

Personnel costs totaled €45.4 million, substantially in line with the €45.2 million in the same period last year. The slight increase compared with June 30, 2017 is mainly due to the line-by-line consolidation of PAC Service S.p.A. (€700 thousand) partially offset by the absence of the restructuring costs of the commercial structure allocated in 2017. This totaled €1.2 million.

6. Other operating costs

The other operating costs amount at €2.5 million as of June 30, 2018, at €1 million on June 30, 2017. The increase in comparison to the same period of the previous year is mainly due to the inclusion in the balance at June 30, 2017 of the benefit, amounting to €1.1 million, of the reversal of the provision for the renewable surcharge. The reversal of the provision comes pursuant to the Italian Energy Authority's Regulation 276/2017 of April 21, 2017, which definitely clarified the terms of cancellation of this specific type of surcharge.

7. Amortization and depreciation

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

	06.30.2018	06.30.2017	Variation
(thousands of Euro)			
Amortization of intangible assets	330	124	206
Depreciation of tangible fixed assets	10,999	11,126	(127)
Total	**11,329**	**11,250**	**79**

Amortization and depreciation totaled €11.3 million, in line with the same period last year. The increase in depreciation of tangible fixed assets from line by line consolidation of PAC Service was more than offset by the reduction in the depreciation on fully depreciated group assets.

8. Net financial income (expenses)

The following table itemizes net financial income and expense:

	06.30.2018	06.30.2017	Variation
(thousands of Euro)			
Financial income	**10**	**5**	**5**
Interest and other financial income	10	5	5
Income from derivative financial instruments			
Financial charges	**(1,090)**	**(1,288)**	**198**
Interest paid to banks	(328)	(395)	67
Loss on derivative financial instruments	(101)	(30)	(71)
Financial expense on defined-benefit plans	(243)	(283)	40
Expenses, commission and other financial charges	(418)	(580)	162
Exchange rate differences	**78**	**(290)**	**368**
Exchange rate income	737	435	302
Exchange rate expenses	(659)	(725)	66
Total	**(1,002)**	**(1,573)**	**571**

Net financial expenses at June 30, 2018 totaled €1 million, compared with €1.6 million in the same period last year. The €0.6 million decrease is due to the decrease in Net Financial Debt, the reduction in the average cost of money due to the improvement in the debt mix, and the absence of the exchange losses recorded at June 30, 2017 which were due to the devaluation of the US dollar.

9. Gains (losses) on investments

As at June 30, 2018, income from equity investments totaled €3.2 million mainly due to:

- a €24 thousand adjustment to the equity investment in associate Emmaus Pack S.p.A.;
- a €100 thousand capital gain from the sale of the equity investment in Manucor S.p.A.;
- valuation at fair value of the previous stake in PAC Service S.p.A. following the acquisition of the remaining parcel of shares therein (€3 million).

10. Taxes

The following table shows the breakdown of current and deferred taxes as at June 30, 2018:

	06.30.2018	06.30.2017	Variation
(thousands of Euro)			
Deferred taxes	(391)	771	(1,162)
Current taxes	(6,603)	(2,007)	(4,596)
Total	**(6,994)**	**(1,236)**	**(5,758)**

The allocation for **Taxes** is €7 million, compared with €1.2 million in 2017. The increase is mainly due to higher taxable income.

11. Tangible fixed assets

The following table shows the change in tangible fixed assets:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euro)							
Historical cost	21,122	107,613	672,784	1,692	15,422	7,785	826,418
Accumulated depreciation/write-downs		(73,846)	(543,243)	(1,659)	(15,100)		(633,848)
Net book value as at 12.31.2017	**21,122**	**33,767**	**129,541**	**33**	**322**	**7,785**	**192,570**
Increases		157	1,474	5	11	3,780	5,427
Decreases (1)		(35)	(727)				(762)
Reclassification of cost	44	327	660			(1,035)	(4)
Change in consolidation of the historical cost	1,705	3,501	2,807	218	225	553	9,009
Depreciation for the period		(1,803)	(9,114)	(17)	(65)		(10,999)
Change in consolidation of the provision for accumulated depreciation/write-downs		(1,769)	(1,406)	(138)	(159)		(3,472)
Decrease in accumulated depreciation/write-downs (1)		35	726				761
Reclassification of accumulated depreciation		4					4
Value as at 30.06.2018							
Historical cost	22,871	111,563	676,998	1,915	15,658	11,083	840,088
Accumulated depreciation/write-downs (1)		(77,379)	(553,037)	(1,814)	(15,324)		(647,554)
Net book value at 06.30.2018	**22,871**	**34,184**	**123,961**	**101**	**334**	**11,083**	**192,534**

(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 year.

For the purpose of determining possible impairment losses, it is noted that no impairment indicators emerged such as to modify the valuations made as of December 31, 2017. For further details, see the “Impairment testing” section.

12. Goodwill

On December 19, 2017, Reno De Medici S.p.A., exercising the right of first refusal provided by law acquired the residual 66.67% of PAC Service S.p.A., for a total consideration of €10,050,000. The acquisition was effective starting from January 1, 2018. From this date, Reno De Medici S.p.A. acquired the control over the company and consequently the investment in PAC Service S.p.A., classified until December 31, 2017 as associates and consolidated with equity method, is consolidated line by line according to IFRS 10 – Consolidated Financial Statements.

The control acquisition by Reno De Medici S.p.A. represents a business combination achieved in stages, acquired in compliance with IFRS 3. To that end, on the date of control acquisition, the following actions have been taken:

(i) adjusting the previously-held share value (amounting to 33.33%) to the relative fair value (€5 million), accounting for the difference compared to the previous book value (€2 million) in the income statement in the incomes from investments (€3 million);

(ii) recording the single acquired assets and acquired liabilities to the relative fair value;

(iii) recording among the assets the goodwill originated from the difference between the purchase value of 100% of PAC Service S.p.A., amounting to €15.1 million, and the fair value of the net acquired assets, amounting to €10.7 million.

Furthermore, below are listed the fair values of the assets and liabilities of PAC Service S.p.A. as of the date of acquisition. For each identified asset and liability in the fair value, the related tax effects for each asset are stated for deferred tax assets and the deferred tax liabilities.

	PAC SERVICE S.p.A.
STATEMENT OF FINANCIAL POSITION	**January 1, 2018**
(thousands of Euros)	
Non-current assets	
Tangible fixed assets	5,537
Intangible fixed assets	11
Equity investments	4
Deferred tax assets	44
Other receivables	425
Total non-current assets	**6,021**
Current assets	
Inventories	4,163
Trade receivables	7,182
Other receivables	321
Cash and cash equivalents	2,719
Total current assets	**14,385**
TOTAL ASSETS	**20,406**

(thousands of Euros)	**January 1, 2018**
Shareholders' equity	**10,685**
Non-current liabilities	
Payables to banks and other lenders	1,583
Deferred taxes	692
Employee benefits	593
Long-term provisions for risks and charges	140
Total non-current liabilities	**3,008**
Current liabilities	
Payables to banks and other lenders	1,510
Trade payables	4,771
Other payables	432
Total current liabilities	**6,713**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**20,406**

To calculate the fair value of the tangible assets, the market approach was used, by resorting to the assessments handled by an external expert. As of the date of acquisition, the value assigned to the tangible assets amounts to €5.2 million.

13. Intangible fixed assets

Intangible fixed assets totaled €7,044 thousand. The increase of €2.4 million over last year is essentially due to the progress of the new €0.5 million ERP project which began in 2016, the reclassification of the investment in the consortium company Paper Interconnector totaling €1.8 million. Note that the application of the new requirements introduced by IFRS 9 for the classification of equity investments led the Group to analyze the requirements of the agreements relating to the equity investment in Paper Interconnector. Following the analysis carried out and taking into consideration the value of the electricity purchase agreement associated with the investment made, with the equity investment has been reclassified under the caption “Intangible Fixed Assets”.

“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.

14. Equity investments

The decrease in equity investments of €3.8 million is mainly due to the following factors:
- the change in the consolidation method of the equity investment held in PAC Service S.p.A, from equity valuation to the line-by-line method (€ 2 million);
- a €1.8 million decrease in the equity investment in consortium company Paper Interconnector S.c.r.l., as described in note 12 "Intangible fixed assets".

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

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

	06.30.2018	12.31.2017
(thousands of Euro)		
Associates	291	2,346
Joint ventures	30	30
Total	**321**	**2,376**

The decrease in the value of equity investments in associate companies is mainly due to the change in the consolidation criterion of PAC Service S.p.A. from the equity method to the line-by-line method.

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

	06.30.2018	06.30.2017
(thousands of Euro)		
Associates	25	547
Joint ventures		
Total	**25**	**547**

The balance at June 30, 2017 included the revaluation of the equity investment in PAC Service S.p.A., which totaled €446 thousand and the revaluation of the equity investment in Emmaus, totaling €101 thousand.

15. Trade receivables and receivables from associates and joint ventures

The breakdown of trade receivables, which amount to €88 million, is provided below:

	06.30.2018	12.31.2017	Variation
(thousands of Euro)			
Trade receivables	79,887	63,736	16,151
Receivables from associates and joint ventures	8,353	7,126	1,227
Current trade receivables	**88,240**	**70,862**	**17,378**

Trade receivables, net of the provision for bad and doubtful receivables of €3.7 million, total €79.9 million, showing an increase of €16.2 million as at December 31, 2017. This increase is mainly due to the consolidation of PAC Service S.p.A., amounting to €8 million, and to the greater sales volumes in the second quarter of 2018 compared with the last quarter of 2017. The (increasing) accounting impact of the annual premiums paid to customers during the first half of 2018 is additional to the above.

The "Receivables from associates and joint ventures" item includes commercial transactions with Emmaus Pack S.r.l (€8,353 thousand).

16. Inventories

The value of inventories is almost unchanged compared with last year. The €3 million increase, mainly from the consolidation of PAC Service S.p.A., was offset by the decrease in the unit value of raw materials.

17. Other receivables (current and non-current)

As at June 30, 2018, the "Other receivables (current portion)" item totaled €8.3 million. The variation of €9.5 million from last year is mainly due to the fact that the balance as at December 31, 2017 included the €10 million paid by the parent company Reno De Medici S.p.A. for the purchase of the remaining 66.67% shareholding in PAC Service S.p.A., on December 19, 2017. The effects of the acquisition became effective from January 1, 2018.

As at June 30, 2018, the "Other receivables (current portion)" item totaled €8.2 million. The €3 million reduction compared with last year is mainly due to the offsetting effect of the following factors:

- reduction of tax receivables (€1.8 million) mainly due to the VAT credit;
- reduction in the receivables from a factoring company as fewer receivables were assigned to it (€0.7 million);
- reduction of credits for CO2 (€0.3 million);
- decrease in prepaid expenses (€ 0.2 million) relating to costs pertaining to the second half of the year.

18. Net financial position

Consolidated Net Financial Indebtedness of RDM Group at June 30, 2018 was €30 million, a decrease of €14.1 million compared with €44.4 million at December 31, 2017.

The net operating cash-flow was positive at €20.6 million, but its impact on improving the financial positions is reduced due to the payment of the final balance (€2.3 million) of an investment made in previous years, and by the negative impact of the exit from the factoring program of PAC Service S.p.A. (around €3 million), alongside the payment of dividends (€1.2 million).

The net financial position consisted of the following:

	06.30.2018	12.31.2017	Variation
(thousands of Euro)			
Cash	12	13	(1)
Funds available from banks	29,492	19,115	10,377
A. Cash and cash equivalents	**29,504**	**19,128**	**10,376**
Other financial receivables	886	858	28
B. Current financial receivables	**886**	**858**	**28**
1. Current bank debts	*1*	*2,000*	*(1,999)*
2. Current portion of medium and long-term loans	*20,217*	*17,447*	*2,770*
3. Debts to other financing entities	*45*	*65*	*(20)*
Debts to banks and other lenders (1+2+3)	20,263	19,512	751
Derivatives – current financial liabilities	152	133	19
C. Current financial debt	**20,415**	**19,645**	**770**
D. Net current financial debt (C-A-B)	**9,975**	**341**	**9,634**
Non-current financial receivables			
E. Non-current financial receivables			
Debts to banks and other lenders	39,911	44,277	(4,366)
Derivatives – non-current financial liabilities	81	138	(57)
F. Non-current financial debt	**39,992**	**44,415**	**(4,423)**
G. Net non-current financial debt (F-E)	**39,992**	**44,415**	**(4,423)**
H. Net financial debt (D+G)	**30,017**	**44,074**	**(14,057)**

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

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

			Non-cash transactions			
	12.31.2017	Cash flow (*)	Change in scope of consolidation (**)	Exchange rate translation differences	Fair Value variation	06.30.2018
(thousands of Euro)						
Current financial receivables	858	28				886
Current financial debt	19,645	(740)	1,510			20,415
Non-current financial debt	44,415	(6,006)	1,583			39,992
Net liabilities from financing activities	63,202	(6,774)	3,093			59,521
Cash and cash equivalents	19,128	7,657	2,719			29,504
Net financial debt	44,074	(14,431)	374			30,017

(*) The information of “Cash flow” are reported in the Statement of Cash Flow.

(**) The “Change in scope of consolidation” is related to the acquisition of the residual 66.67% of PAC Service S.p.A..

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

	within 12 months	more than 12 months	over 60 months	Total
(thousands of Euro)				
Banque Palatine 1067376	596	2,255		2,851
Banque Palatine 1067377	394	1,508		1,902
Banco Popolare	2,519			2,519
FRIE 1	414	1,448		1,862
Friulia (Ovaro Transaction)	649	649		1,298
FRIE 2	813	2,031		2,844
FRIE 3	113	454	170	737
Banca Popolare Milano	2,857	10,000		12,857
Banca Intesa (Reno De Medici S.p.A.)	4,000	4,000		8,000
Banca Intesa (RDM Blendecques S.A.S.)	1,667	6,667	833	9,167
Banca Intesa (R.D.M. La Rochette S.A.S.)	1,667	6,667	833	9,167
Cariparma	1,750			1,750
Credem	999	1,254		2,253
Credem 7120134	750			750
Credem 7174193	600	250		850
BNL	200	300		500
Credem Leasing	88			88
UniCredit	99	303		402
AGENCE DE L'EAU	58	228		286
Encelpa	84	172		256
Total nominal debt	**20,317**	**38,186**	**1,836**	**60,339**
Amortized cost effect	(100)	(111)		(211)
Total debt using the amortized cost method	**20,217**	**38,075**	**1,836**	**60,128**

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 expense
- Medium-Long terms indebtedness/ Shareholders' equity
- Difference between Current Year Shareholders' equity and Fiscal Year 2016 Shareholders' equity

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

In the event of non-compliance with the financial covenants, the lending banks may terminate the loan agreements: as at June 30, 2018, the Group was in compliance with the financial parameters.

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.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at June 30, 2018.
The table below shows the main features of the derivative instruments outstanding as at June 30, 2018:

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	6,000	0.42% fixed	Half-yearly	(45)
					Euribor 6m		
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	12,857	0.45% fixed	Half-yearly	(146)
					Euribor 6m		
R.D.M. La Rochette S.A.S.	Intesa San Paolo S.p.A.	EUR	11.15.2023	9,167	0.245% fixed	Half-yearly	(42)
					Euribor 6m		
				28,024			**(233)**

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

• level 1: inputs used in measurements are represented by quoted prices in active markets for identical assets and liabilities to those subject to measurement;
• level 2: inputs other than quoted prices included in level 1 that are observable for the financial asset or liability, both directly (prices) and indirectly (derived from prices);
• level 3: in the event that observable inputs are not available, and therefore market activity is light or non-existent for the asset or liability subject to measurement, the inputs are non-observable.

			Fair value as at the date of the financial statements based on:		
	Classification	06.30.2018	Level 1	Level 2	Level 3
(thousands of Euro)					
Derivative instruments on interest rates	Non-current derivative instruments	**81**		81	
Derivative instruments on interest rates	Current derivative instruments	**152**		152	

19 Shareholders' Equity

The share capital, which stood at €140 million as at June 30, 2018, breaks down as follows:

	Number	Total value
Ordinary shares	377,537,497	139,902,357
Savings shares	263,497	97,643
Total	**377,800,994**	**140,000,000**

We hereby reiterate that in June 2016 the company started a buyback plan of its own shares. For further information please refer to the paragraph "Other information - Authorization to buy and sell treasury shares".

With reference to the savings shares, RDM articles of association require that if a dividend of less than 5% of the par value of the share is assigned to the savings shares in a financial year, the difference is calculated as an increase in the privileged dividend in the next two financial years. To this end, dividends of €1,172 thousand were distributed in 2018.

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

The current portion of other payables stands at €21.9 million (€20.8 as at December 31, 2017). This item essentially includes payables to employees for deferred compensation, payables to the Treasury for contributions on compensation, payables for the Treasury for VAT, and payables to directors and statutory auditors.

21. Employee benefits

"Employee benefits" amounted to €34.6 million as at June 30, 2018 The slight increase compared with December 31, 2017 is mainly due to the line-by-line consolidation of PAC Service S.p.A.

At June 30, 2018, RDM Group employed 1,518 people, up from 1,487 at December 31, 2017.

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

Provisions for long-term and short-term risks and charges, which amounted to €5 million and €0.8 million at June 30, 2018 respectively, are in line with the previous year.

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

The balance at June 30, 2018 breaks down as follows:

	06.30.2018	12.31.2017	Variation
(thousands of Euro)			
Trade payables	101,180	105,027	(3,847)
Payables to associates and joint ventures	17	952	(935)
Total	**101,197**	**105,979**	**(4,782)**

Trade payables recorded in the financial statements were €101 million (€106 million as at December 31, 2017) 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 counterparties.
The change compared with the previous year is essentially due to normal working capital movements.

“Payables to associates and joint ventures” of € 17 thousand, refer to trade payables due to ZAR S.r.l. in liquidation.

24. Non-recurring transactions

The Group’s income, financial position, and cash flows were not influenced by non-recurring significant events and transactions as defined in Consob Notice No. DEM/6064293 except as already explained in the paragraph “Key events”.

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

Regarding the main existing disputes, see section 5.8.

Commitments and guarantees given to third parties include:

- sureties of €6.6 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- sureties of €2 million issued to the Comieco consortium;
- sureties of €67 thousand issued to the customs authorities;
- a surety of €283 thousand issued to Terna S.p.A.;
- sureties of €157 thousand issued to the Revenue Agency for Cartiera Alto Milanese in liquidation;
- a surety of €90 thousand issued to the Province of Milan;
- a surety of €128 thousand issued to Margiuno S.r.l.

5.7 Related-party transactions

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

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

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

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

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

These transactions include commercial relations with the company Emmaus Pack S.r.l., for the sale of cardboard, and with the company Zar S.r.l. in liquidation for the purchase of waste paper.

In June 2017, Reno De Medici S.p.A. and Friulia S.p.A. redefined the shareholders’ agreements signed on June 27, 2012, in the context of the acquisition by Friulia of a 20% share of R.D.M. Ovaro S.p.A. at the price of €2.5 million. These agreements gave Friulia S.p.A. the right to resell its shareholding in R.D.M. Ovaro S.p.A. to Reno De Medici S.p.A. under certain conditions, *inter alia*, through the exercise of a "put option" to be exercised by June 27, 2017. Therefore, in June 2017, in recognition of the success of the partnership and in view of the new investments required to increase the value of the R.D.M. Ovaro S.p.A. and its potential expansion plans, the Parties agreed that the extension of the partnership was advantageous for the subsidiary and therefore signed new agreements under which Reno De Medici S.p.A. would buy back the 20% stake in R.D.M. Ovaro S.p.A. owned by Friulia, against the total amount of €2,497,010.95, in four equal shares. The first two shares were repurchased on June 15, 2017 and June 19, 2018 respectively; the remaining two shares will be repurchased on June 30 of the years 2019 and 2020. Reno De Medici S.p.A. can still exercise the purchase option earlier.

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

Receivables and payables with related parties

	Current assets			Current liabilities		
	Trade receivables	Receivables from associates and joint ventures	Other receivables from associates and joint ventures	Trade payables	Payables to associates and joint ventures	Other payables to associates and joint ventures
(thousands of Euro)						
Cascades Inc.				5		
Cascades Rollpack	3					
Cascades Groupe Produits				1		
Emmaus Pack S.r.l.		8,353				
ZAR S.r.l. in liquidation					17	
Total	**3**	**8,353**		**6**	**17**	
Impact on item total	**0%**	**100%**		**0%**	**100%**	

Revenues and costs deriving from related-party transactions

	Revenues from sales	Other revenues	Financial income
(thousands of Euro)			
Emmaus Pack S.r.l.	7,027	50	
Cascades Rollpack		7	
Total	**7,027**	**57**	
Impact on item total	**2.3%**	**1.7%**	

	Cost of raw materials and services	Financial charges
(thousands of Euro)		
ZAR S.r.l. in liquidation	31	
Cascades CS+	14	
Total	**45**	
Impact on item total	**0%**	

The compensation due to the directors and statutory auditors of Reno de Medici S.p.A. for the performance of their duties amounted to €289 thousand and €88 thousand, respectively.

5.8. Lawsuits and arbitration proceedings

Existing disputes and risks

Nothing to report.

5.9. Subsequent events

With the exception of what described in the paragraph "Main events in the period" referring the signing of the agreement for the purchase of Barcelona Cartonboard S.A.U., which took place on July 2, 2018, there are no significant subsequent events to report.

6. List of investments in subsidiaries and associated companies

Pursuant to Article 126 of Consob Resolution No. 11971 of May 14, 1999, as subsequently amended and supplemented, below is the list of equity investments held at June 30, 2018 in companies with unlisted shares or in limited-liability companies, exceeding 10% of the capital.

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

R.D.M. Ovaro S.p.A.
Ovaro - Italy
Direct ownership percentage: 90%

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. (formerly Carta Service Friulana S.r.l.)
Milan - Italy

Direct ownership percentage: 100%

Pac Service S.p.A.

Vigonza - Padua - Italy

Direct ownership percentage: 60%

Indirect ownership 40% (through BELLIM S.r.l.)

Services industry – subsidiaries

Cascades Grundstück Gmbh & Co.KG

Arnsberg – Germany

Direct ownership percentage: 100%

BELLIM S.r.l.

Vigonza - Padua - Italy

Direct ownership percentage: 100%

R.D.M. Marketing Germany GmbH

Krefeld – Germany

Direct ownership percentage: 100%

R.D.M. Marketing France S.A.S.

Paris – France

Direct ownership percentage: 100%

R.D.M. Marketing Spain S.L.U.

Prat de Llobregat - Barcelona - Spain

Direct ownership percentage: 100%

R.D.M. Marketing UK Limited

Wednesbury – United Kingdom

Direct ownership percentage: 100%

R.D.M. Marketing Czech Republic S.r.o.

Prague – Czech Republic

Direct ownership percentage: 100%

R.D.M. Marketing Hungaria KFT
Budapest - Hungary
Direct ownership percentage: 100%

R.D.M. Marketing Poland SP z.o.o.
Warsaw - Poland
Direct ownership percentage: 100%

LIST OF EQUITY-ACCOUNTED INVESTMENTS

Cartonboard sector and other industrial production

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

ZAR S.r.l. in liquidation
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

CERTIFICATION

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

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
    - actual implementation of the administrative and accounting procedures pertaining to the preparation of the condensed consolidated half-year financial statements for the first half of 2018.

2. No significant issues have emerged in this regard.

3. We further certify that:

    3.1 The condensed consolidated half-year financial statements as at June 30, 2018:

    a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002, and in particular IAS 34 - Interim Financial Reporting;

    b) are consistent with the figures reported in the relevant accounting books and records;

    c) present fairly the financial position, the results and the cash flows of the issuer and of all of the companies included in the consolidation.

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

Milan, July 31, 2018

Chief Executive Officer	Chief Financial Officer
Michele Bianchi	Stefano Moccagatta