Reno De Medici

REPORTS AND FINANCIAL STATEMENTS

FOR THE 84TH FISCAL YEAR

ENDED DECEMBER 31, 2012

ORDINARY SHAREHOLERS' MEETING

APRIL 26, 2013 FIRST CALL

APRIL 29, 2013 SECOND CALL

RENO DE MEDICI S.P.A.

VIA DURINI, 16/18, MILAN

SHARE CAPITAL €185,122,487.06

TAX CODE AND VAT NUMBER: 00883670150

Dear Shareholders,

the year just elapsed was a very challenging one for our Company, with difficult decisions and actions that materialized in the agreement of March 6, 2013, with the Italian Ministry of Labor and Social Policies and the Unions.

In particular, the definitive termination of the board production operations in the Magenta mill, after a long period of suspension, was very painful, but inevitable.

The performance for the year was marked by the continuing global economical crisis, especially in Europe, that depressed demand. In addition, the high cost of energy penalized the Italian mills particularly. The costs still generated by the non-operational mills added to the burden.

In the year we also started the reorganization of the sheeting departments of the Italian mills, with the aim of serving Northern Italian and European customers in a more effective way, through the creation of a new center in Magenta, the increase of sheeting activities at the Santa Giustina mill, the scaling-down of sheeting operations of the Villa Santa Lucia mill, and the closure of the Aprilia service center.

Such actions are part of a long-term plan aimed at reducing production costs and optimizing production capacity, key-factors to securing long-term competitiveness. This plan is based on valuing the most efficient mills and on investments in innovative technologies to ensure the continuous improvement of product quality, and an adequate economical and financial performance, in line with expectations.

When this long crisis will come to an end, the market will again offer opportunities that our Company, more efficient and performing better, will not fail to seize, as our packaging material is and will remain irreplaceable. Furthermore, the important contribution that our production cycle offers in terms of environmental sustainability favors the 'choice' of our products by final customers and brand-owners, over other packaging materials.

In order to better represent to you the Shareholders and to all the other Stakeholders, the value of our products for the preservation of the environment, we have decided to include,, starting with this document, the contribution of experts who represent their vision of the environment, and how to make its preservation compatible with economic growth, which is commonly defined as the "green economy".

This year we have the pleasure and honor to present the vision of Mr. Lester R. Brown, the founder and president of the Earth Policy Institute, an interdisciplinary organization that researches and analyzes the development perspectives of the environmental-economy. Mr. Lester R. Brown is the founder and former-president of the Worldwatch Institute, the most authoritative monitoring center of the environmental trends of our planet.

Ignazio Capuano

From Lester R. Brown

"The production, processing, and disposal of materials in our modern throwaway economy wastes not only materials but energy as well. In nature, one-way linear flows do not survive long. Nor, by extension, can they survive long in the expanding global economy. The throwaway economy that has evolved over the last half-century is an aberration, now itself headed for the junk heap of history.

Beyond reducing materials use and reusing existing materials, the energy savings from recycling materials are huge. Steel made from recycled scrap takes only 26 percent as much energy as that from iron ore. For aluminum, the figure is only just 4 percent. Recycled plastic uses only 20 percent as much energy. Recycled paper uses 64 percent as much—and with far fewer chemicals during processing. If the world recycling rate rates of these basic materials were raised to those already attained in the most efficient economies, carbon emissions would drop precipitously.

Industry, including the production of plastics, fertilizers, steel, cement, and paper, accounts for more than 30 percent of world energy consumption. The petrochemical industry, which produces such things as plastics, fertilizer, and detergents, is the biggest consumer of energy in the manufacturing sector, accounting for about a third of worldwide industrial energy use. Since a large part of industry fossil fuel use is for feedstock to manufacture plastics and other materials, increased recycling can reduce feedstock needs. Worldwide, increasing recycling rates and moving to the most efficient manufacturing systems in use today could easily reduce energy use in the petrochemical industry by 32 percent.

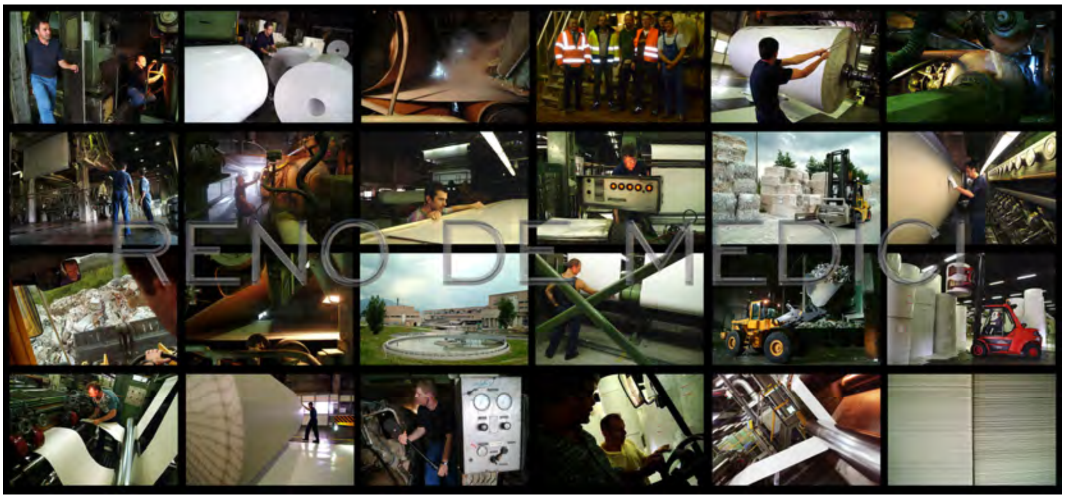
The use of paper, perhaps more than any other single product, reflects the throwaway mentality that evolved during the last century. There is an enormous possibility for reducing paper use (…) and recycling.

The rates of paper recycling in the top 10 paper-producing countries range widely, from Canada and China on the low end, recycling just over a third of the paper they use, to Japan and Germany on the higher end, each at close to 70 percent, and South Korea recycling an impressive 85 percent. The United States, the world's largest paper consumer, is far behind the leaders, but it has raised the share of paper recycled from roughly one quarter in 1980 to 55 percent in 2007. If every country recycled as much of its paper as South Korea does, the amount of wood pulp used to produce paper worldwide would drop by one third."

Lester R. Brown

More information on Lester Brown's views and areas of expertise can be found in
Lester R. Brown, Plan B 4.0, W.W. Norton & Co., 2009

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2012



CONVENING OF SHAREHOLDERS' MEETING

Persons entitled to take part and exercise voting rights in relation to Reno De Medici S.p.A. (hereinafter also referred to as: "RDM" and/or "the Company") are called to an Ordinary Shareholders' Meeting to be held on April 26, 2013 at 11.00 a.m., at the registered office at Via Durini 16/18, Milan, at first call and, if necessary, on April 29, 2013 at 12.00 p.m. at Borsa Italiana at Piazza degli Affari 6, Milan, at second call, to discuss and deliberate on the following

Agenda

1. Financial Statements for the year ended December 31, 2012: resolutions pertaining thereto and resulting therefrom.
    1.1. Approval of the Financial Statements for the year ended December 31, 2012 and the Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors.
    1.2. Presentation of the consolidated Financial Statements for the year ended December 31, 2012;
    1.3. Presentation of the 2012 Social and Environmental Report.

2. Appointment of 1 member of the Board of Directors.
    2.1. Discussions on the subject of the number of members of the Board of Directors;
    2.2. Appointment of 1 member of the Board of Directors.

3. Proposal for the extension of the appointment and change to the fees for auditing the statutory financial statements and consolidated financial statements by Deloitte & Touche S.p.A.: resolutions pertaining thereto and resulting therefrom.

4. Report on Remuneration pursuant to Article 123-*ter* of Legislative Decree 58/98 as subsequently amended and supplemented ("CFA"): resolutions pertaining thereto and resulting therefrom.

* * *

INFORMATION RELATING TO THE SHARE CAPITAL AND SHARES WITH VOTING RIGHTS

It is stated that:

a) the share capital at the date of publication of this notice is EUR 185,122,487.06, divided into 377,800,994 shares with a par value of €0.49 each, divided as follows:

   1) 377,478,357 ordinary shares;

   2) 322,637 savings shares convertible into ordinary shares which, pursuant to Article 6 of the By-Laws, do not carry the right to vote at ordinary or extraordinary shareholders' meetings;

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

c) the Company does not hold any treasury shares.

ADDITIONS TO THE AGENDA

Pursuant to Article 126-*bis* of Legislative Decree 58/98, shareholders who, including jointly, represent at least one-fortieth of the share capital represented by shares with voting rights may request, within ten days from the date of publication of this notice, the addition of items to the agenda for discussion, indicating in the request the additional items proposed by them, or they may present proposals for deliberation on items already on the agenda. Questions should be submitted, in writing, by Shareholders proposing them by filing them at the Company's registered office at Via Durini 16/18, Milan, together with supporting documentation attesting to their entitlement. Within the aforesaid period of ten days and in the same manner, the proposing Shareholders must present a report on the matters proposed for consideration, or on the proposals for deliberation. No addition will be accepted in relation to matters on which the Shareholders' Meeting resolves, in accordance with the law, on the proposal of the directors or on the basis of a plan or report prepared by them. Any supplemented list of matters to be considered at the Shareholders' Meeting will be published at least fifteen days prior to the date set for the meeting, with the same publication procedures as this notice. Simultaneously with the publication of the notice of addition, the Company will make available to the public, in the same forms, the report prepared by the requesting shareholders, accompanied by any assessments of the Board of Directors.

ENTITLEMENT TO PARTICIPATE AND PARTICIPATION PROCEDURES

Pursuant to Article 83-*sexies* of the CFA and Articles 8 and 9 of the By-Laws, entitlement to participate in the Meeting and exercise voting rights is certified by a communication to the Company, made by a qualified intermediary under the applicable rules, in conformity with its accounting records, in favor of the person holding the voting right, at the end of the seventh trading day preceding the date of the Meeting at first call (i.e. April 17, 2013).

Persons who become holders of shares after April 17, 2013 will therefore not be entitled to participate and vote at the Meeting.

Holders of any shares not yet dematerialized must deliver them in advance to a qualified intermediary for their inclusion in the centralized dematerializion management system pursuant to Article 17 of the Consob/Banca d'Italia Joint Communication of December 24. 2010, and request the transmission of the aforesaid communication.

Persons entitled to participate in the Meeting are requested to attend ahead of the time set for the meeting in order to facilitate registration operations, which will begin at 11:30 a.m.

Persons entitled to vote at the Meeting may be represented by another person on the basis of a proxy drawn up in writing or conferred electronically, pursuant to the legislation in force. The proxy form available from the registered office and from the Company's website www.renodemedici.it can be used for this purpose. The proxy can be sent recorded delivery to the Company's registered office at Via Durini 16/18, 20122 Milan, marked for the attention of the Legal Department or it can be sent electronically to the certified email address renodemedici@pec.rdmgroup.com.

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

The proxy can be conferred, with voting instructions, for some or all of the items on the agenda, to Studio Segre S.r.l., the Company's designated representative pursuant to Article 135-*undecies* of the CFA, using the special proxy form available on the Company's website; the proxy can be sent recorded delivery to Studio Segre S.r.l., 41 Via Valeggio, 10129 Turin, or by certified electronic post to the email address segre@legalmail.it by the end of the second day the market is open for trading prior to the date set for the Shareholders' Meeting, including at second call (i.e. by Wednesday April 24, 2013 for the first call and by Thursday April 25, 2013 in relation to the second call). The proxy is not valid for proposals for which no voting instructions have been issued. The proxy and the voting instructions may be revoked within the same period within which they can be conferred. The communication made to the Company by the intermediary certifying the entitlement to participate at the Meeting is necessary even in the event that the proxy is conferred upon the Company's designated representative. Consequently, the proxy must be regarded as invalid in the absence of the said communication.

RIGHT TO POSE QUESTIONS ON THE AGENDA ITEMS

Holders of voting rights are informed that pursuant to Article 127-*ter* of the CFA, questions may be posed in relation to matters placed on the agenda by delivering such questions by recorded-delivery letter to the Company's registered office or by sending a message to the certified e-mail address renodemedici@pec.rdmgroup.com, by the day preceding the date set for the Meeting at first call. Replies to the questions received will be given during the Meeting.

APPOINTMENT OF ONE MEMBER OF THE BOARD OF DIRECTORS.

Pursuant to Article 12, paragraph 16, b) of the Company By-Laws, which should be referred to, if, during the course of the year, one or more directors are missing, in order for the majority to always be made up of directors appointed by the Shareholders' Meeting, pursuant to Article 2386 of the Italian Civil Code, the Shareholders' Meeting shall appoint a member of the Board of Directors by legal majority without a voting list.

Pursuant to the next paragraph 17 of the above-mentioned Article 12 of the Company By-Laws, the Board and the Shareholders' Meeting shall proceed with the appointment to ensure the presence of independent directors in the overall minimum number required by the laws and regulations prevailing at the time. The Shareholders' Meeting can, however, deliberate to reduce the number of members of the Board to the directors in office for the remaining period of their mandate.

Names of potential candidates can, in any case, be filed at the Company's office.

DOCUMENTATION

Please note that simultaneously with the publication of the present notice, it has been made available to the public by being deposited at the Company's registered office at Via Durini 16/18, Milan and with Borsa Italiana S.p.A., as well as on the Company's website. Copies may also be obtained of the Report of the Board of Directors on the matters placed on the agenda.

The Annual Financial Report, including the draft Financial Statements, the Consolidated Financial Statements, the Management Report, the Report pursuant to Article 123-*bis* of the CFA, the Declaration of the Financial Reporting Executive and the Delegated Body, the Report of the Board of Statutory Auditors and the Independent Auditors, as well as the Remuneration Report pursuant to Article 123-*ter* of the CFA, will be made available to the public within the legal timescales at the Company's registered office at Via Durini 16/18, Milan, and at Borsa Italiana S.p.A.; shareholders have the right to obtain copies of the same.

All the documentation can be consulted on the website www.renodemedici.it where the Company By-Laws are also available.

Milan, March 20, 2013

for the Board of Directors
The Chairman
Robert Hall

SUMMARY DATA AND GENERAL INFORMATION

BOARD OF DIRECTORS AND AUDITORS

Board of Directors

Robert Hall	Chairman
Giuseppe Garofano	Deputy Chairman
Ignazio Capuano	CEO
Giulio Antonello	Director
Sergio Garribba	Director
Laurent Lemaire	Director
Vincenzo Nicastro	Director
Carlo Peretti	Director

Board of Statutory Auditors

Carlo Tavormina	Chairman
Giovanni Maria Conti	Acting statutory auditor
Laura Guazzoni	Acting statutory auditor
Domenico Maisano	Deputy statutory auditor
Tiziana Masolini	Deputy statutory auditor

Independent Auditors

Deloitte & Touche S.p.A.

MAIN ECONOMIC-FINANCIAL DATA OF THE GROUP AND RENO DE MEDICI S.P.A.

Below are the main economic and capital figures as at December 31, 2012 compared with those for the previous financial year, relating to the Reno De Medici Group (the "Group" or "RDM Group").

RDM GROUP	12.31.2012	12.31.2011 (*)
(Euro millions)		
ECONOMIC DATA (1)		
Revenues from sales	466	507
Gross Operating Profit (EBITDA) excluding costs of non-operational mills (**)	33	34
Gross Operating Profit (EBITDA)	27	30
Depreciation, amortization and write-downs	(28)	(28)
Operating Profit (EBIT)	(1)	2
Profit (loss) for the year	(12)	(2)
Group's share of profit (loss) for the period	(12)	(3)
KEY FIGURES		
- Non-current assets (2)	240	253
- Non-current assets held for divestment		1
- Non-current liabilities, benefits for employees and other provisions (3)	(52)	(51)
- Current assets (liabilities) (4)	(7)	(11)
- Working capital (5)	42	48
Net invested capital (NIC) (6)	223	240
Net financial debt (7)	86	87
Shareholders' equity	137	153
INDICES		
Gross operating margin excluding costs of non-operational mills/ Revenues from sales	7.1%	6.7%
Gross operating margin / Revenues from sales	5.8%	5.9%
Operating profit / NIC	(0.4%)	0.8%
Debt ratio (net financial debt /NIC)	38.6%	36.3%

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

(**) It involves the Magenta and Marzabotto mills whose costs in 2012 were equal to €5.9 million.

(1) See RDM Group consolidated financial statements.

(2) See RDM Group consolidated financial statements – total for item “Non-current assets” net of “Trade receivables”.

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

(4) See RDM Group consolidated financial statements – sum of the following items “Other payables” net of Euro 355 thousand relating to an entry of a financial nature classified under the item “Current assets”, net of the following items “Other payables”, “Current taxes” and “Employee benefits”, classified under the item “Current liabilities”.

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

(6) Sum of the items listed above.

(7) See RDM Group consolidated financial statements – sum of the following items “Cash and cash equivalents”, “Other receivables from associates and joint ventures”, classified under “Current assets” to which to add the Euro 355 thousand relating to an entry of a financial nature included under the item “Other receivables”, net of the following items “Payables to banks and other lenders” and “Derivative instruments”, classified under “Non-current liabilities” and “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to associates and joint ventures”, classified under “Current liabilities”.

The main economic and capital figures as at December 31, 2012 are given below, compared with those for the previous financial year, relating to the financial statements of the Parent Company.

RDM	12.31.2012	12.31.2011 (*)
(Euro millions)		
ECONOMIC DATA (8)		
Revenues from sales	231	284
Gross operating profit (EBITDA) excluding costs of non-operational mills	22	24
Gross Operating Profit (EBITDA)	16	20
Depreciation, amortization and write-downs	(17)	(16)
Operating Profit (EBIT)	0	4
Profit (loss) for the year	(10)	4
KEY FIGURES		
- *Non-current assets (9)*	224	265
- *Non-current assets held for divestment*		1
- *Non-current liabilities, benefits for employees and other provisions (10)*	(16)	(21)
- *Current assets (liabilities) (11)*	(4)	(4)
- *Working capital (12)*	18	23
Net invested capital (NIC) (13)	222	264
Net financial debt (14)	77	111
Shareholders' equity	145	153
INDICES		
Gross operating margin excluding costs of non-operational mills/ Revenues from sales	9.5%	8.5%
Gross operating margin / Revenues from sales	7%	7.0%
Operating profit / NIC	(0.2%)	1.5%
Debt ratio (net financial debt /NIC)	34.9%	42.0%

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the early adoption of IAS 19.

(8) See RDM's consolidated financial statements.

(9) See RDM's consolidated financial statements – total of item "Non-current assets".

(10) See RDM's consolidated financial statements - sum of the following items of "Non-current liabilities" "Other payables", "Deferred taxes", "Employee benefits" and "Long-term provision for risks and charges"

(11) See RDM 's consolidated financial statements – sum of the following items "Other payables" net of Euro 355 thousand relating to an entry of a financial nature classified under the item "Current assets", net of the following items "Other payables", "Current taxes" and "Employee benefits", classified under "Current liabilities".

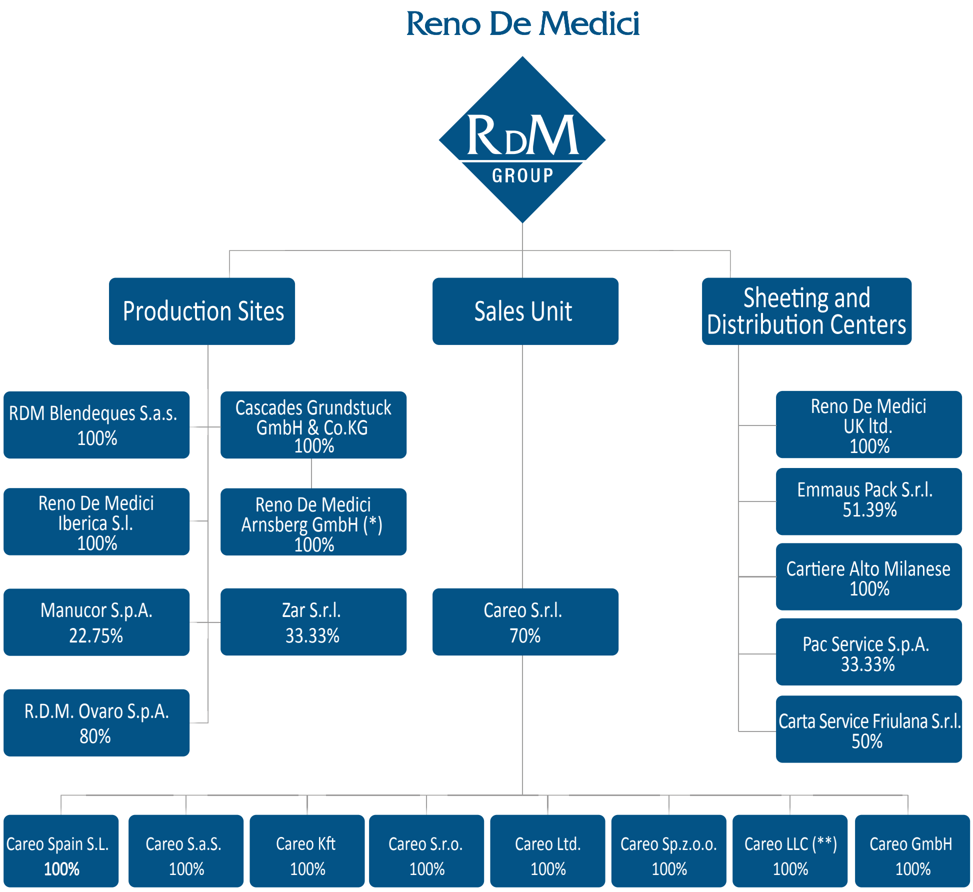
(12) See RDM's consolidated financial statements – sum of the items "Inventories", "Trade receivables", "Receivables from Group companies" classified under the item "Current assets", net of the item "Trade payables", "Payables to Group companies", classified under the item "Current liabilities".

(13) Sum of the items listed above.

(14) See RDM's consolidated financial statements – sum of the following items:: "Cash and cash equivalents" and "Other receivables from Group companies", classified under "Current assets", to which to add Euro 355 thousand relating to an entry of a financial nature included under the item "Other receivables", net of the following items "Payables to banks and other lenders", "Derivative instruments" and "Other payables to Group companies", classified under "Non current liabilities" and "Payables to banks and other lenders", "Derivative instruments" and "Other payables to Group companies", classified under "Current liabilities".

GROUP OPERATING COMPANIES AS OF DECEMBER 31, 2012

The graph below does not include the Reno De Medici ("RDM Group" or the "Group) companies in liquidation.



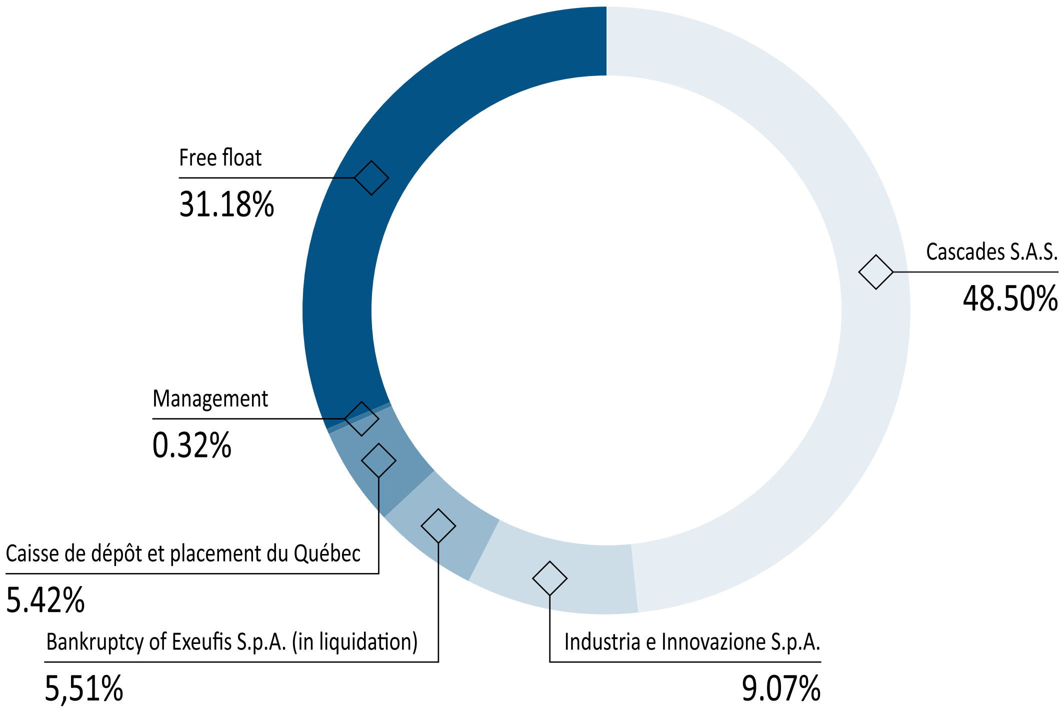
(*) Company owned 94% by Reno De Medici S.p.A. and 6% by Cascades GrundstÜck GmbH & Co.KG.

(**) Company in liquidation

SHAREHOLDERS

Below is the situation regarding RDM's share ownership as of March 20, 2013, in accordance with the findings of the Shareholder Register plus the communications received pursuant to Article 120 and Article 152-*octies*, paragraph 7 of the Consolidated Finance Act as well as the information disclosed by Consob.

Ordinary shares	n.	377,478,357
Convertible savings shares	n.	322,637
Total shares	n.	377,800,994



DIRECTORS’ REPORT

REFERENCE MARKET AND PERFORMANCE OF ASSETS

2012 was a difficult year, marked in Europe by a serious crisis that was institutional even before it was financial and whose negative effects are impacting the European economy, causing lower demand and weakness in the manufacturing industry.

The Euro zone remains, in fact, the most fragile with a decline in 2012 GDP that stood at 0.3%, mainly driven by the negative performances in Italy (-2.1%) and Spain (-1.4% with a collapse in the fourth quarter). Among the major countries, only Germany shows moderate growth in GDP (+0.7), with zero-growth recorded in the United Kingdom and France. The weight of a very negative quarter for all countries, including Germany, is weighing on the annual figures.

Outside of Europe, growth in the US was just above 2%, and even China, with growth limited to 7.8%, had a difficult year since it was not able to reach the critical threshold of 8%.

In summary, the macroeconomic environment remains weak, and in particular, demand for consumer and semi-durable goods continues to be weak with a direct impact on the demand for packaging materials.

As far as the paper industry in general is concerned, in 2012 CEPI countries (Confederation of European Paper Industries) recorded a drop in the consumption of paper and cardboard equal to 4-5% compared with the previous year, and a fall in production equal to approximately -1.7%.

The indicators relating to the white lined chipboard packaging produced from recycled fibers sector were slightly better; in 2012 a fall in demand was recorded for Europe equal to -1.6% related, in particular, to the fall in demand in Italy (-6.4%) and in the United Kingdom (-8.4%), only partly offset by growth in Eastern Europe.

However, the downward trend seems to have stopped: confidence indicators are slightly recovering from the lows in October.

Although still very volatile, the outlook is better than the first half of 2012. It is not unreasonable to expect a modest recovery in the second half of 2013 in the Euro zone market accompanied by the good start to 2013 in the US, China and Germany after the disappointing fourth quarter of 2012.

The changed prospective framework seems confirmed, in the white lined chipboard for packaging sector, in the fourth quarter of 2012 overall demand in Europe was still weak, but was up slightly (+1.4%) over the fourth quarter of 2011. This increase was due to significant growth in France and Eastern Europe which was accompanied by a decline in Italy and the UK.

However, in this environment it is worth noting that the flow of orders during the last quarter allowed all major operators to maintain production at full capacity, while in the fourth quarter of 2011 numerous stoppages were implemented in order to maintain production efficiency.

In 2012, revenues of the Reno De Medici Group totaled €466 million, which was down from the €507 million generated in 2011 due largely to lower sales volumes: 834,000 tons were sold in 2012, a decrease of 44,000 from the 878,000 tons sold in the previous year. However, this decrease was due entirely to the interruption of the paper-making activity at the Magenta plant that resulted in a reduction of 77,000 tons sold. In fact, a comparison of the fourth quarter of 2012 with the same quarter of the previous year, which already reflected the interruption, shows that revenues were up from €112 to €118 million, and tons sold also rose from 193,000 to 214,000 confirming the upward trend. The different growth rates in revenues and quantities sold are a reflection of a decrease in average sales prices, which followed the reduction in the cost of raw materials.

With regard to the trend of key factors of production in 2012, prices for recycled fibers showed a slight tendency, from August, to fall, especially due to a slowdown in purchases of fibers from China caused by the slowdown in the local economy and seasonal factors. Thus, the price rise that was previously projected did not materialize.

Based on a year-on-year comparison, 2012 saw a sharp decrease in average recycled-paper prices from 2011, but average prices were still high compared to previous years.

With regard to the cost of energy factors, and specifically natural gas which represents the main source of energy for the Group, in the first part of the year market prices remained stable, then showing diversified trends, with an increase in France specifically and a fall in other countries.

In Italy prices remained at levels considerably higher than the EU average, with a consequent unsustainable negative impact on domestic production: the average price rose by +26% in Italy during the year, compared with +7.5% in France.

The high cost of natural gas is the cost component with the greatest negative impact on the operating performance of the Reno De Medici Group in the year, and especially of the Italian mills, that used the same energy supplier as the French mill Blendecques, but in markets where the "rules" were very different, so that prices applied in Italy were 20% higher compared to the prices applied in France.

The situation should substantially improve in 2013: the measures taken by the Italian Government to foster market competitiveness (which include making the unused import capacity available and creating the "gas exchange"), the spin-off of SNAM, the company that manages gas storage and distribution infrastructures in Italy, from ENI the incumbent operator, should allow operators to work in a more "liquid" market, and to thus adopt the procurement solutions that are more convenient from an economic and financial point of view, as regards both long-term contracts, as well as 'spot' purchases.

In 2012 labor costs remained substantially unchanged compared to the previous year, dropping from €72.7 million to €72.4 million in 2012. However, there were significant changes in the components of this measure due mainly to Italian operations. The decrease in costs due to the reduction in staff and hours worked, mainly as a result of the shut down of the paper-making operations of the Magenta plant, was partially offset by the provisions needed to cover the costs of future staff layoffs. This was in addition to annual contract increases for the entire Group.

To summarize, although operating in a highly uncertain environment, in 2012 the Reno De Medici Group still managed to improve the ***spread*** (the difference between unit sales prices and unit costs of recycled fibers), but the benefit from this improvement was largely eliminated by the increase in the cost of natural gas, which rose in Italy by about €8 million over 2011 solely due to the price effect.

In 2012 EBITDA, without considering the costs generated by the non-operational mills, totaled €32.9 million, which was down from the figure of €34.1 million reported in 2011.

Operating performance continued to be affected by the continuing costs generated by the Marzabotto and Magenta plants where paper-making activities are not operational. In 2012 these costs amounted to €5.9 million.

Thus, in December 2012 total EBITDA dropped to €27.0 million from €30.0 million in the previous year.

It is necessary to underline what can be deduced from the above figures: without the increase in the price of gas, which took place in 2012, in Italy EBITDA would have been higher than that recorded in 2011, standing at approximately €35 million. Thus, it seems obvious that if gas prices in Italy were in line with those in the Group's other European plants, a level of profitability that is more in line with the company's operating activities would be restored.

The slight increase in Depreciation, Amortization and Write-Downs, which reached €28.5 million compared with €27.9 million in 2011 was recorded under EBITDA. Depreciation and Amortization fell slightly (from €27.5 to €26.3 million). However, the impact of expenses from the write-down of paper production equipment of the Magenta plant, equal to €1.9 million, whose value was adjusted to fair value less costs to sell (current market value), based on the assessment of an independent expert, was considerable. The total impact in 2012 of costs, provisions and write-downs relating to the Magenta plant was equal to approximately €9.6 million.

EBIT recorded a consolidated loss of €1.5 million, compared to a profit of €2.1 million reported in 2011.

Net Financial Expenses, which as of December 31, 2012 stood at €7.0 million, remain essentially in line with the previous year, thanks to the fall in interest rates.

Investment Expenses exceeded €2.9 million, of which €2.3 million relate to the adjustment to equity of the investment in Manucor S.p.A.: the negative operating performance of Manucor was due to the drop in demand, due in part to destocking by customers, and to the increase in propylene and energy costs (once again, the greatest negative impact was from the price of natural gas in Italy as compared to European competitors).

The equity evaluation of Careo S.r.l. also resulted in a loss of €630 thousand.

Loss before taxes amounted to €11.5 million, compared to a loss of €5.5 million reported in the previous year.

In 2012 the RDM Group's capital expenditures totaled €17.1 million (€22.9 million in 2011), illustrated in more detail later in note 13, within the document "Notes to the Consolidated Financial Statements".

Consolidated Net Financial Debt as of December 31, 2012 stood at €86.3 million, in line with the €86.6 million as of December 31, 2011: the decrease in working capital, due to the greater recourse to credit factoring, did not translate into an equal reduction in debt as a result of financial expenses and tax burdens.

MAIN OPERATIONS OF THE RENO DE MEDICI GROUP IN 2012

On June 22, 2012, a series of transactions relating to the Reno De Medici S.p.A. site in Ovaro (Udine), aimed at consolidating the autonomy of the production unit through the sale of the latter to an independent company, were conducted, also designed to allow the new entity to act as a driver for sector business combinations, both in Italy and abroad.

The sale from Reno De Medici S.p.A. to R.D.M. Ovaro S.p.A. of the business unit comprising the Ovaro plant was therefore concluded at a price of €10,000,000.00.

The net invested capital of the business unit, comprising the Ovaro plant, amounted to €21.6 million at the effective date of the transaction, net of financial liabilities equal to €11.6 million. The effective date of the sale contract for the business unit runs from July 1, 2012, and includes a termination clause if permission to annul the special privilege for assets subject to sale in favour of Banca Intesa San Paolo S.p.A. and Unicredit S.p.A., permission which was obtained on February 18, 2013, is not obtained.

Following the sale of the business unit, on June 22, 2012, the R.D.M. Ovaro Shareholders' Meeting also approved a share capital increase of €12,500,000 through the issuing of 9,975,000 ordinary shares subscribed by Reno De Medici S.p.A. and 2,500,000 privileged shares which are subscribed by "Finanziaria Regionale Friuli-Venezia Giulia - Società per Azioni – FRIULIA S.p.A." ("Friulia"), who purchased a 20% stake in R.D.M. Ovaro S.p.A. in the transaction. This transaction was also subject to the termination clause mentioned above.

Through this transaction, the RDM Group can strengthen its national presence also courtesy of the experience and knowledge of Friulia, being able to count on a balanced and consolidated capital and financial structure, which contributes a significant amount of medium-term industrial funding.

It should be pointed out that as a related-party transaction is involved, the information document relating to significant transactions with related parties published on June 26, 2012 has been produced and is available on the Company website. Please refer to it for more information.

During the month of June, following the communication from Cascades of "Virgin Assets Financial at December 31, 2011" – as provided for by Article 3.3.1 of the Combination Agreement signed on September 13, 2007 and amended on June 12, 2009 and about which adequate information has been provided – the Company began the evaluation process with regard to exercising the call option provided for in the above-mentioned Combination Agreement.

First of all, it should be remembered that the granting of the above call option, together with the put option pertaining to Cascades s.a.s, goes back to the agreements made (Combination Agreement) with the Cascades Group on September 13, 2007, therefore prior to the merger of March 2008.

This Combination Agreement was therefore modified on June 12, 2009 under the scope of the redefinition of the Loan Agreements signed in 2006.

It should also be remembered that the elements for determining the strike price were already established in the Combination Agreement of 2007 on the basis of the evaluations made then, and that the Company must notify its decision with regard to whether or not it will exercise the call option within 120 days starting from the announcement of the financial data. In addition, pursuant to Article 5 of the Procedure on the subject of Related-Party Transactions, this transaction was submitted to the Committee for Related-Party Transactions at the meeting on June 20, 2012.

On August 2, 2012, the Board of Directors of the Parent Company Reno De Medici S.p.A., with the favourable opinion of the Committee for Related Parties and reconfirming the interest for the acquisition of "virgin assets", resolved not to exercise the call option relating to the purchase of two plants owned by Cascades s.a.s. (hereinafter "Cascades").

However, the put option pertaining to Cascades is still outstanding. Cascades can exercise it within 120 days from delivering the Virgin Assets Financial data for the year ended December 31, 2012 to Reno De Medici S.p.A. Cascades also has the right to request that the option price, in part or in full, be paid in newly issued shares of Reno De Medici S.p.A.

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

Risks associated with the general economic conditions

The Company and the Group, like all industrial operators, are exposed to the risks associated with the current economic crisis which became evident in the second half of 2011 and worsened during 2012, and should continue until at least the second half of the current year 2013.

This situation will initially generate a risk related to sales volumes: although it cannot be eliminated, it can be contained through suitable measures which the Group can take to adjust production levels to actual demand.

Specifically, as far as the chipboard packaging sector is concerned, the risks related to the continuation of the recession are expected to be mitigated through a reduction in stocks at processors and final customers, with the consequent need for them to be built up again.

In this context, another risk factor is related to credit, with the growing difficulties of many customers to make payments promptly. This got worse during 2012.

Another risk factor is related to the price trends of mixture raw materials: moreover, the expected increase in the last months of 2012 failed to materialize. The uncertainty however remains, linked, above all, to the volumes of exports to China, which also, in turn, depend on the recovery of economic growth in that country.

Energy prices are also expected to rise, even if the reasons are speculative. The situation is being continuously and closely monitored by the designated Company Functions.

Risks related to the Group's results

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

Risks related to the requirements of financial resources

The Group currently has sufficient financial resources available to meet reasonably foreseeable requirements for 2013.

Risks related to interest rates

The exposure to the risk related to interest rates involves both medium/long-term lines of credit and short-term lines of credit. Medium/long-term debit as of December 31, 2012 stood at €50.6 million. Of which, €29.5 million is at variable rate not protected by hedging. The short-term lines of credit, used at December 31, 2012 in an amount equal to €36.0 million, are all at variable rate.

Expected trends for 2013 anticipate a slight increase in interest rates which should not, however, involve significant effects for the Reno De Medici Group.

Liquidity Risk

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

Prudent management of liquidity risk entails maintaining adequate cash and cash equivalents and the possibility of accessing adequate loans.

To deal with this risk, the Group accounting system ensures the flexibility of the supply of funds through access to diversified lines of credit.

As of December 31, 2012, the net debt financial position of the RDM Group was equal to €86.3 million, in line with regard to December 31, 2011.

Credit risk

As stated in the opening of this section, credit risk is borne out in the exposure of the Company and the Group to the insolvency of its customers. In order to manage this risk correctly, RDM has signed insurance agreements with a major credit insurance company. Any positions not insured and/or which cannot be insured are constantly monitored by the appropriate Corporate Functions.

Agreements for the sale of loans without recourse have also been signed, with the disposal of trade receivables at December 31, 2012 standing at a total amount of approximately €24.1 million.

In order to reduce this risk, the Group has already adopted a policy which includes the careful and timely monitoring of positions considered to be at risk. Albeit the policies adopted have, until now, allowed credit losses to be contained, the general credit situation shows signs of deterioration in some countries, directly related to the continuing general economic crisis.

Exchange rate risk

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

Capital risk

It is felt that the Capital is adequately capitalized in relation to the reference market and its dimensions.

Conclusions

For a more detailed analysis as well as the comparison between 2012 and 2011, please refer to the chapters dealing with the Financial instruments and risk management of the RDM Group and Parent Company.

ECONOMIC, CAPITAL AND FINANCIAL PERFORMANCE OF THE RDM GROUP

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

Economic results

RDM GROUP	12.31.2012	%	12.31.2011 (*)	%
(thousands of Euros)				
Revenues from sales	466,319	100.00%	507,051	100.00%
Operating costs (15)	(455,615)		(486,601)	
Other operating income (expenses) (16)	16,311		9,560	
Gross Operating Profit (EBITDA)	27,015	5.79%	30,010	5.92%
Depreciation, amortization and write-downs	(28,498)		(27,879)	
Operating Profit (EBIT)	(1,483)	(0.32%)	2,131	0.42%
Net financial income/(expense)	(7,035)		(6,941)	
Gains (losses) from investments	(2,946)		(670)	
Taxes	(723)		3,793	
Profit (loss) for the year before discontinued operations	(12,187)	(2.61%)	(1,687)	(0.33%)
Discontinued operations			(536)	
Profit (loss) for the year	(12,187)	(2.61%)	(2,223)	(0.44%)
Group's share of profit (loss) for the period	(12,334)	(2.65%)	(2,512)	(0.50%)

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

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

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

Revenues from sales in 2012 for the RDM Group were €466.3 million, compared with €507.1 million recorded in the corresponding period of the previous year.

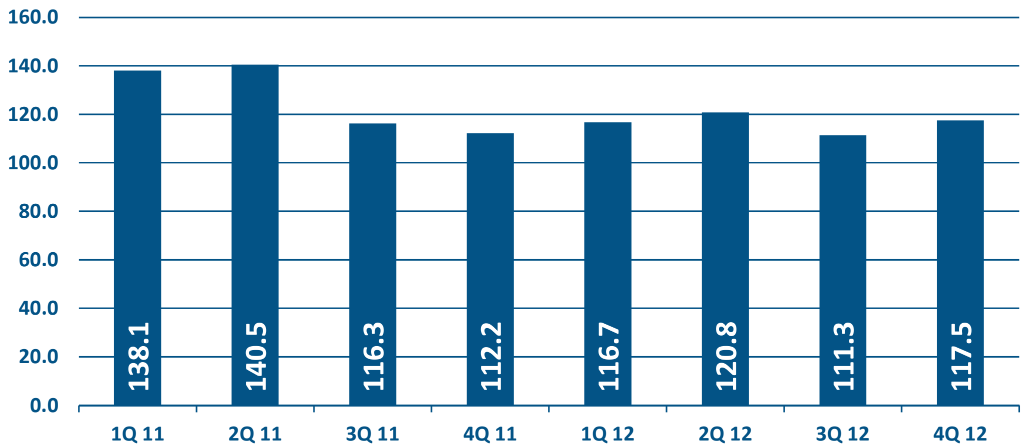


Fig. 2.: "2011-2012 Quarterly Trend Revenues"

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

RDM GROUP	12.31.2012	%	12.31.2011	%
(thousands of Euros)				
Areas				
Italy	162,373	35%	170,645	34%
EU	226,227	48%	250,221	49%
Non-EU	77,719	17%	86,185	17%
Total revenues from sales	466,319	100%	507,051	100%

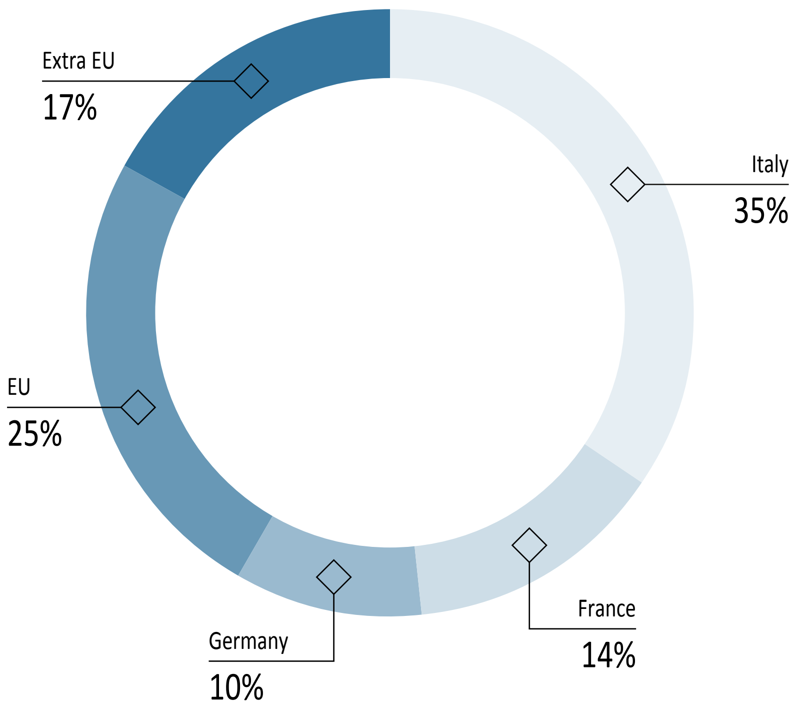


Fig 3.: “Revenues by Geographic Area”

Revenues of the Reno De Medici Group reached €466.3 million in 2012, a fall compared with the figure of €507.1 million in 2011. This decrease was due to the combined effect of the lower quantities sold and the fall in average sales prices following a drop in the cost of raw materials.

EBITDA fell from €30 million in 2011 to €27.0 million recorded in 2012. This fall is essentially attributable to the lower sales volumes and the high cost of natural gas which is the cost component which has penalised the economic performance of the Reno De Medici Group the most during 2012.

Under EBITDA, the considerable impact of expenses resulting from the write-down of fixed assets for an amount equal to €1.9 million was recorded. The write-down refers to the paper-making facilities at the Magenta plant, whose value was adjusted to the fair value minus sales costs (current market value), based on the evaluations of an independent expert.

EBIT recorded a consolidated loss of €1.5 million, compared to a profit of €2.1 million reported in 2011.

RDM GROUP	12.31.2012	12.31.2011 (*)
(thousands of Euros)		
Net financial expense	(7,036)	(6,941)
Gains (losses) from investments	(2,946)	(670)
Total	**(9,982)**	**(7,611)**

(*) The data as at December 31, 2011 were restated to make them comparable with those of the year under review following the Group's early adoption of IAS 19.

As of December 31, 2012, net financial expense totaled €7.0 million which was largely in line with the previous year.

The item "Gains (losses) from investment" showed a loss of €2.9 million, of which €2.3 million relate to the adjustment to equity of the investment in Manucor S.p.A.: the negative operating performance of Manucor was due to the drop in demand, due in part to destocking by customers, and to the increase in propylene and energy costs (once again, the greatest negative impact was from the price of natural gas in Italy as compared to European competitors).

The equity evaluation of Careo S.r.l. also resulted in a loss for €630 thousand.

Loss before taxes amounted to €11.5 million, compared to a loss of €5.5 million reported in the previous year.

The net result at the end of 2012 was negative by €12.2 million compared with a loss of €2.2 million recorded in 2011.

The result pertaining to the Group was negative by €12.3 million compared with a loss of €2.5 million in 2011.

Statement of Financial Position

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

RDM GROUP	12.31.2012	12.31.2011
(thousands of Euros)		
Trade receivables (17)	86,343	93,836
Inventories	78,929	77,982
Payables to suppliers (18)	(123,398)	(123,879)
Working capital	**41,874**	**47,939**
Other current assets (19)	6,035	5,392
Other current liabilities (20)	(13,252)	(16,521)
Non-current assets (21)	240,280	252,774
Non-current assets held for divestment		1,290
Non-current liabilities (22)	(16,977)	(19,942)
Invested capital	**257,960**	**270,932**
Employee benefits and other provisions (23)	(34,981)	(31,079)
Net invested capital	**222,979**	**239,853**
Net financial position (24)	86,257	86,565
Shareholders' equity	136,722	153,288
Sources total	**222,979**	**239,853**

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

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

(19) See RDM Group consolidated financial statements - item "Other receivables" net of €355 thousand relating to an entry of a financial nature.

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

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

(22) See RDM Group consolidated financial statements - sum of the following items of "Non-current liabilities" "Other payables", "Deferred taxes".

(23) See RDM Group consolidated financial statements - sum of the following items of "Non-current liabilities" "Employee benefits" and "Long-term provision for risks and charges".

(24) See RDM Group consolidated financial statements – sum of the following items "Derivative instruments" classified under "Non-current assets", "Cash and cash equivalents" and "Other receivables from associates and joint ventures", classified under "Current assets", to which to add the Euro 355 thousand relating to an entry of a financial nature included under the item "Other receivables", net of the following items "Payables to banks and other lenders" and "Derivative instruments" classified under "Non-current liabilities", and "Payables to banks and other lenders", "Derivative instruments" and "Other payables to associates and joint ventures", classified under "Current liabilities".

Working capital at the end of 2012 stood at €41.9 million, a decrease of €6.1 million over 2011 mainly following the greater recourse to the credit factoring program launched in 2010 (€24.1 million at December 31, 2012 compared with €14.4 million at December 31, 2011).

Last year the item "Non-current assets held for sale" referred to plant and machinery at the Marzabotto mill for which a sale agreement was drawn up at the end of 2011; the disposal will be finalized during 2012.

The decrease in the item "Non-current assets" is due essentially to the decrease in the value of tangible fixed assets of approximately €10.9 million and to write-downs of equity investments in joint ventures.

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

Net Financial Position

Consolidated Net Financial Debt as of December 31, 2012 stood at €86.3 million, in line with the €86.6 million as of December 31, 2011: the decrease in working capital, due to the greater recourse to credit factoring, did not translate into an equal reduction in debt as a result of financial expenses and tax burdens.

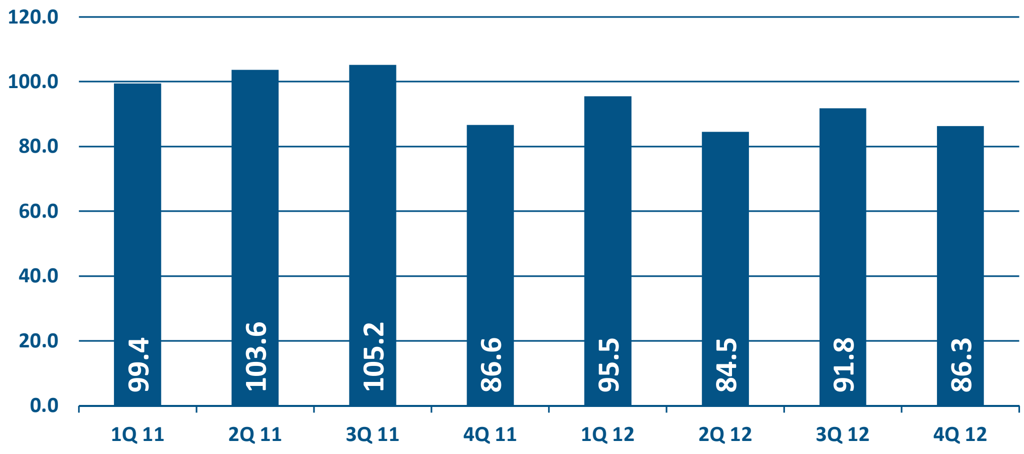


Fig. 4.: "2011-2012 Quarterly Trend Net Financial Position"

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

RDM GROUP	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables (25)	3,582	3,756	(174)
Short-term financial debt (26)	(51,395)	(42,764)	(8,631)
Valuation of current portion of derivatives (27)	(637)	(601)	(36)
Short-term net financial position	(48,450)	(39,609)	(8,841)
Medium-term financial debt (28)	(37,042)	(45,934)	8,892
Valuation of non-current portion of derivatives (29)	(765)	(1,022)	257
Net Financial Position	(86,257)	(86,565)	308

(25) See RDM Group consolidated financial statements – Sum of the item "Cash and cash equivalents" and "Other receivables from associates and joint ventures" classified under "Current assets", to which to add the €355 thousand relating to an entry of a financial nature included under the item "Other receivables".

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

(27) See RDM Group consolidated financial statements, item "Derivative instruments" classified under "Current assets" net of the item "Derivative instruments", classified under "Current liabilities".

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

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

Research and development activities

During the course of 2012 the Group continuously conducted research and development activities aimed at the constant technological innovation of production processes, as well as constant research into the improved deployment of materials used, in order to improve the quality of the product or the process. The activity directed at developing new business areas and the creation of new products, illustrated in the opening section of the report, should also not be forgotten.

Under the scope of this operation,, in 2012 the Santa Giustina mill of Reno De Medici won, together with LUCAPRINT S.p.A. and WRAP FILM SYSTEM, the important PROCARTON/ECMA award (an award conferred by the European Association of Carton Board Producers), for the best European packaging for consumer goods. The "VINCICOAT (112)" board was selected and used by LUCAPRINT S.p.A. who converted it into the "BACOFOIL Classico 30 cm" aluminum packaging, whose brand-owner is WRAP FILM SYSTEM. Reno De Medici thanks its customers for trusting its products, which made gaining this important recognition possible.

In addition, with food packaging being a significant part of the RDM Group's production, we continued our research activities aimed at continual product improvement.

These activities focused in particular on the production of recycled cartonboard with low mineral-oil content.

We asked two of Italy's leading universities to carry out scientific studies aimed at further validating the Group's food-related products:

- the Department of Management and Technologies at the Sapienza University of Rome is creating a system for qualifying and certifying the production cycle and the final product which can be applied to recycled paper and cartonboard destined for the production of food packaging;
- we also cooperated with a leading sanitation management operator to bring RDM's Quality Management System and infrastructures into line with the highest voluntary production standards;
- lastly, the Ovaro mill continues to work with the Italian Institute of Technology in Genoa on a study aimed at using nanotechnologies to develop new products to act as a barrier to the migration of mineral oils.

Capital expenditures

In 2012 the RDM Group's capital expenditures totaled €17.1 million (€22.9 million in 2011).

The goal of these investment was to reduce variable costs, improve safety, and limit environmental impact. The main projects were:

- Villa Santa Lucia mill: a new technology project, that included the installation of a 'curtain coater', a piece of equipment that allows the reduction of the cost of the recycled fibers raw materials;
- Arnsberg (Germany) mill: upgrading of the steam turbine in order to increase energy efficiency and reduce fuel consumption and CO2 emissions.
- Santa Giustina mill: upgrading and modernization of the board machine, with significant investments in the safety system in order to obtain OHSAS 18001 certification.
- Ovaro mill: upgrading and modernization of the equipment, to increase production capacity and improve the quality of products.

Human Resources

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

The following targeted training sessions are offered depending on the specific role in the company.

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

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

At December 31, 2012 the Group headcount stood at 1,430 persons.

Compared with the previous year, the total number of Group employees fell by 72 people (1,502 at December 31, 2011).

At December 31, 2012, the Group headcount included 13 executives, 382 white-collars and 1,035 blue-collars.

ECONOMIC, CAPITAL AND FINANCIAL PERFORMANCE OF RENO DE MEDICI S.P.A.

Economic results

Below are the main economic figures at December 31, 2012, compared with those of the previous year.

RDM	12.31.2012	12.31.2011 (*)
(thousands of Euros)		
Revenues from sales	230,774	284,150
Operating costs (30)	(232,947)	(276,562)
Other operating income (expenses) (31)	18,398	12,855
Gross Operating Profit (EBITDA)	**16,225**	**20,444**
Depreciation, amortization and write-downs	(16,660)	(16,322)
Operating Profit (EBIT)	**(435)**	**4,121**
Net financial income (expense)	(5,955)	(6,588)
Gains (losses) from investments	(2,569)	1,639
Taxes	(973)	4,954
Profit (loss) for the year	**(9,932)**	**4,126**

(*) The figures at 31 December, 2011 have been reclassified in order to make them comparable wit those of the year in question following the early application of IAS 19.

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

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

In 2012 revenues decreased by 18.8% compared with 2011. This fall was due, in part, to the sale of the Ovaro plant business unit to R.D.M. Ovaro S.p.A., which took place in 2012, and, in part, to the 11.3% lower sales volumes and also the fall in sale prices.

The breakdown of sales revenues by geographic area is given below from which a general fall in both the domestic market (-48.7%) and in the overseas market (-51.3%) can be seen.

RDM	12.31.2012	%	12.31.2011	%
(thousands of Euros)				
Areas				
Italy	145,296	63%	171,273	60%
EU	43,040	19%	56,240	20%
Non-EU	42,438	18%	56,637	20%
Total revenues from sales	230,774	100%	284,150	100%

As far as the performance of the main production factors is concerned, in 2012 recycled fibers showed a sharp drop in average prices compared with 2011, still, however, remaining at medium-high levels compared with previous years.

With regard to energy components, and specifically natural gas which is the main source of energy for Reno De Medici S.p.A., a slight fall in market prices compared with previous months was recorded in the last months of the year, although they are still very much higher in Italy than the EU average.

The marked decrease in labor costs compared with the previous year is equal to approximately €3.9 million (in percentage terms 10.3%), mainly due to the sale of the Ovaro plant, which accounts for €3.1 million, and the remaining amount is from the reduction in staff and hours worked and also the suspension of paper-making production activities at the Magenta plant.

The net result is negative by €9.9 million, after depreciation, amortization and write-downs of approximately €16.6 million, net financial expenses of €6.0 million, investment expenses of €2.6 million and taxes of €1.0 million.

Statement of Financial Position

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

RDM	12.31.2012	12.31.2011 (*)
(thousands of Euros)		
Trade receivables (32)	53,926	64,228
Inventories	38,762	44,982
Trade payables (33)	(74,457)	(85,876)
Working capital	**18,231**	**23,334**
Other current assets (34)	1,303	2,527
Other current liabilities (35)	(5,359)	(7,848)
Non-current assets (36)	223,655	265,492
Non-current assets held for divestment		1,290
Non-current liabilities (37)	(2,063)	(2,112)
Invested capital	**235,767**	**282,683**
Employee benefits and other provisions (38)	(13,452)	(18,762)
Net invested capital	**222,315**	**263,921**
Net financial position (39)	77,344	110,755
Shareholders' equity	144,971	153,165
Sources total	**222,315**	**263,920**

(*) The figures at 31 December, 2011 have been reclassified in order to make them comparable wit those of the year in question following the early application of IAS 19.

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

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

(34) See RDM financial statements – sum of the following items "Other receivables" net of €355 thousand relating to an entry of a financial nature.

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

(36) See RDM's consolidated financial statements – total of item "Non-current assets".

(37) See RDM's consolidated financial statements - sum of the following items of "Non-current liabilities" "Other payables", "Deferred taxes".

(38) See RDM's consolidated financial statements - sum of the following items of "Non-current liabilities" "Employee benefits" and "Long-term provision for risks and charges".

(39) See RMD's financial statements – sum of the following items "Cash and cash equivalents" and "Other receivables from Group companies", classified under "Current assets", to which to add Euro 355 thousand relating to an entry of a financial nature included under the item "Other receivables", net of the following items "Payables to banks and other lenders", "Derivative instruments" and "Other payables to Group companies", classified under "Non-current liabilities" and "Payables to banks and other lenders", "Derivative instruments" and "Other payables to Group companies", classified under "Current liabilities".

The reduction in working capital, equal to €5.1 million is due essentially to the sale of the business unit to R.D.M. Ovaro S.p.A. and to the strengthening of the factoring program (€20.5 million over €14.4 million at December 31, 2011). This increased use of factoring offset the increase in receivables.

At the end of 2012, Net Invested Capital was financed by interest-paying debt to the tune of approximately 34.79% and by shareholders' equity for approximately 65.21%.

Net Financial Position

Net financial debt for the Parent Company stands at €77.3 million, an improvement over the €110.8 million at December 31, 2011.

RDM	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables (40)	2,984	2,199	785
Short-term financial debt (41)	(46,722)	(62,322)	15,600
Valuation of current portion of derivatives (42)	(580)	(464)	(116)
Short-term net financial position	(44,318)	(60,587)	16,269
Medium-term financial debt (43)	(32,323)	(49,146)	16,823
Valuation of non-current portion of derivatives (44)	(703)	(1,022)	319
Net Financial Position	(77,344)	(110,755)	33,411

(40) See RMD financial statements – sum of the item "Cash and cash equivalents" to which to add €355 thousand relating to an entry of a financial nature included under the item "Other payables".

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

(42) See RDM financial statements, item "Derivative instruments" classified under "Current assets" net of the item "Derivative instruments", classified under "Current liabilities".

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

(44) See RDM financial statements, item "Derivative instruments" classified under "Non-current assets" net of the item "Derivative instruments", classified under "Non-current liabilities".

The improvement, equal to €33.4 million, in net financial position is mainly attributable to the reduction of financial debt to the Spanish investee company Reno De Medici Iberica S.L. following a reduction in their share capital.

Research and development activities

Please refer to the report on the consolidated figures.

Capital expenditures

Capital expenditures for 2012 amounted to €11.0 million (€14.1 million in 2011).

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

- Villa Santa Lucia mill: a new technology project, that included the installation of a 'curtain coater', a piece of equipment that allows the reduction of the cost of the recycled fibers raw materials;

- Santa Giustina mill: upgrading and modernization of the board machine, with significant investments in the safety system in order to obtain OHSAS 18001 certification.

Human resources

The headcount of RDM at December 31, 2012 stood at 619 persons. Compared with the previous year, the total number of employees went down by 221 people, both following the sale of the Ovaro plant by Reno De Medici S.p.A. to R.D.M. Ovaro S.p.A. and the reduction in staff resulting from the shut-down of paper-making operations at the Magenta plant.

At December 31, 2012, the headcount included 12 executives, 168 white-collars and 439 blue-collars.

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

CONNECTION BETWEEN THE RESULT FOR THE PERIOD AND THE EQUITY OF THE GROUP AND THE PARENT COMPANY RENO DE MEDICI S.P.A.

	2012 Equity	2012 Result
(thousands of Euros)		
Reno De Medici S.p.A.	144,971	(9,932)
Difference between the carrying value and the corresponding shares of equity of associates and subsidiaries	*(3,741)*	*(358)*
Elimination of intragroup dividends		*(3,428)*
Capital gains write-off to Group companies	*(1,563)*	*35*
Merger deficit allocation write-off	*(3,951)*	*219*
Other consolidation adjustments	*445*	*1,130*
Consolidated financial statement	136,162	(12,334)

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

	Net Financial Position 12.31.2012	Net Financial Position 12.31.2011
(thousands of Euros)		
Net financial position - Reno De Medici S.p.A.	(77,344)	(110,755)
Cash and cash equivalents and other short-term financial receivables from subsidiaries	508	367
Short-term financial payables from subsidiaries	(11,515)	(2,604)
Medium-long-term financial payables from subsidiaries	(6,077)	(3,157)
Short-term financial payables from subsidiaries elimination	9,557	31,140
Medium-long-term financial payables from subsidiaries elimination	1,429	6,370
Short-term financial receivables from Group companies elimination	(2,815)	(7,926)
Net Financial Position – RDM Group	(86,257)	(86,565)

OTHER INFORMATION

Existing disputes and risks

As far as the dispute which began in 2008 with some employees from the French subsidiary RDM Blendecques S.a.s. relating to the complex restructuring process involving the French company is concerned, it should be noted that in the court of first instance issued an initial ruling on February 6, 2012, ordering the company to pay compensation. The company appealed against this ruling with a judgment expected in June 2013.

Tax inspection

In regard to the tax inspection into the period 2005 – 2009, which concluded in 2011, the Company defined the tax assessment settlement for the years 2005 and 2006, for which the related notices of assessment have already been received. Note that the enquiries of the Guardia di Finanza (Finance Guard – Italian law enforcement agency under the authority of the Minister of Economy and Finance) were concentrated on commercial relations with suppliers residing in black list countries (mainly Switzerland) for which the Company received special questionnaires from the Revenue Service for all the years indicated, requesting clarifications.

In 2012 the Company received a notice of assessment for 2007 for which the assessment settlement process is still in progress.

Data Security Policy

In 2011, RDM updated the Personal Data Protection Code in compliance with the provisions of existing rules and regulations. In addition, in compliance with the provisions of rule 26 of the Technical Specifications on the subject of minimum security measures attached to Legislative Decree 196 of June 27, 2003 "Personal data protection code", it should be noted that the Company has updated its Data Security Policy relating to the handling of personal data by March 31, 2012.

Environment and safety

During the course of the year RDM's commitment to achieving and maintaining adequate environmental, safety and quality standards, consistent with the principles pursued, was realized through significant actions, namely:

- the development of increasing integration of corporate management systems for quality, environment and safety, through promoting synergies between various aspects;
- the updating of the Risk Assessment Documents;
- the constant updating of the Interference Risk Assessment Documents;

- the examination and evaluation of the technical and professional integrity and reliability of contractors;

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

The Company has maintained ISO 14000 Certification and has begun, and partly completed, the stages for OHSAS 18001:2008 certification for the Santa Giustina B.se plant with the certification body. Obviously, the Company intends to obtain this certification for all sites in Italy, production plants and others.

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

Treasury Shares

At December 31, 2012, the Company did not hold treasury shares nor did the Board have a mandate to purchase any.

Shares held by Directors and Statutory Auditors

In compliance with the provisions of Consob Regulation 11971 and later amendments and additions, the information regarding shares held by RDM Directors and Statutory Auditors in RDM and its subsidiaries at December 31, 2012 is given below:

Name and Surname	Investee company	Number of shares at December 31, 2011	Number of shares purchased	Number of shares sold	Number of shares at December 31, 2012
Christian Dubé (*)	Reno De Medici S.p.A.	225,000			225,000
Giuseppe Garofano	Reno De Medici S.p.A.	275,000			275,000
Ignazio Capuano	Reno De Medici S.p.A.	550,000			550,000

(*) No longer in office since November 2, 2012.

Information on relations with subsidiaries, associates and joint ventures

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

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

- sales promotion and marketing services with Careo S.r.l. (Careo);
- sales of cartonboard to Cartiera Alto Milanese S.p.A. (CAM), Emmaus Pack S.r.l. (Emmaus), R.D.M. Ovaro S.p.A., RDM Iberica S.L. and Reno De Medici UK Ltd;
- provision of general services to Careo, Emmaus, CAM, R.D.M. Ovaro S.p.A., RDM Iberica S.l., RDM Blendecques S.A.S., Reno de Medici UK Ltd and Reno De Medici Arnsberg Gmbh;
- purchases of offcuts from Emmaus;
- interest income or expense on cash-pooling and loan agreements with Careo, CAM, Emmaus, RDM Iberica S.L., RDM Blendecques S.A.S., Reno De Medici UK Ltd, Reno De Medici Arnsberg GmbH and R.D.M. Ovaro S.p.A.;
- sales of cartonboard to Pac Service S.p.A.
- purchase of waste paper from ZAR S.r.l.;
- the fiscal consolidation agreement under which Reno De Medici S.p.A. is the consolidating company vis-à-vis CAM, Emmaus, R.D.M. Ovaro S.p.A and Careo.

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

Please refer to the "Notes" in the consolidated financial statements in this Report for a quantitative analysis of the relations undertaken in 2012 between RDM and its subsidiaries, associates and joint ventures, as well as the paragraph "Related-Party Relations" for a better explanation of the relations listed above.

Information about relations with related parties

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

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

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

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

Related-party transactions include:

- commercial relations with Pac Service S.p.A., a company of which RDM owns 33%, in connection with sales of cartonboard. Sales made in 2012 totaled €3,337 thousand, while trade payables at December 31, 2012 amounted to €138 thousand. During the year, RDM sold the trade receivables of Pac Service S.p.A. under a new non-recourse factoring program. More information can be found in the "Notes" for this Report;

- commercial relations with ZAR s.r.l., a company of which RDM owns 33.33%, in connection with purchase of waste paper. Purchases made in 2012 totaled €3,847 thousand, while trade payables at December 31, 2012 amounted to €131 thousand;

- as part of the business combination with the Cascades Group, RDM sold its virgin-fiber cartonboard client list to Cascades S.A.S. for €1.2 million.

- As part of their business combination, Reno De Medici S.p.A. and Cascades S.A.S. have retained, respectively, a call option exercisable in 2012 and a put option exercisable in 2013 on the European virgin-fiber cartonboard production operations of Cascades S.A.S., presently located at the La Rochette mill in France and the Djupafors mill in Sweden.

  On August 2, 2012, the Board of Directors of the Parent Company Reno De Medici S.p.A., with the favourable opinion of the Committee for Related Parties and reconfirming the interest for the acquisition of "virgin assets", resolved not to exercise the call option relating to the purchase of two plants owned by Cascades s.a.s. (hereinafter "Cascades").

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

SUBSEQUENT EVENTS

On February 18, 2013, banks Intesa Sanpaolo S.p.A. and UniCredit S.p.A. approved the cancellation of the special lien on the assets involved in the sale of the Ovaro mill by RDM S.p.A. to R.D.M. Ovaro S.p.A.

On March 6, 2013, Reno De Medici S.p.A., the Italian Ministry of Employment and Labor Policies and the labor union associations signed an agreement pursuant to which Reno De Medici S.p.A. will be able to resort to the wage guarantee fund (CIGS) for some employees, particularly at the Magenta mill, which is the subject of a study for reconversion following the cessation of paper-making activities.

OUTLOOK

The trend recorded at the beginning of 2013 is substantially in line with the final months of 2012, in an uncertain scenario, especially with regard to the first half of the year. Outside of Europe, there are encouraging signs, such as the recovery in activities in China and Russia, and in the US; in Europe, these signs are, for the moment, limited to Germany only, which is increasing its gap over the other countries.

Although the orders flow is satisfactory, risks remain for the limited visibility on the future outlook, as complained particularly by the customers.

With regard to the trends in the costs of major factors of production, an increase in the cost of recycled fibers is expected, based on the expectation that the Chinese production will increase as a result of a higher domestic demand, thus triggering an increase in the import of recycled fibers. However, for the time being this increase has not materialized yet.

The evolution of energy costs is also uncertain. Despite the high supply of natural gas, speculative tensions could result in an upward spike in prices. In any event, the Company believes that the new agreements it has just entered into will make it possible to achieve a sizeable reduction in unit cost compared to last year. Prices of other energy factors (electricity and coal) show a downward trend due to the continuing recession.

In the second half of 2013, a slight recovery is expected, in a still volatile global scenario.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

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

(Traditional administration and control model)

FINANCIAL YEAR 2012

Approved by the Board of Directors of Reno De Medici S.p.A. at its meeting on March 20, 2013

www.renodemedici.it

1. GLOSSARY

I.C.C.	Internal Control Committee of Reno De Medici S.p.A.
Code	Self-Regulation Code of Listed Companies approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.
C.C.	The Italian Civil Code
CFO	Head of the Finance and Control Department
N.C.	Nominating Committee
Board/BoD	The Board of Directors of Reno De Medici S.p.A.
R.P.T.C.	Related-Parties Transactions Committee of Reno De Medici S.p.A.
R.C.	Remunerations Committee of Reno De Medici S.p.A.
Financial year	The financial year ending December 31, 2012
RDM Group	Reno De Medici S.p.A. and its subsidiaries pursuant to Articles 2359 of the C.C. and Article 93 of the CFA
Stock Exchange Regulation Instructions	Instructions for the Regulation governing Markets Organized and Managed by Borsa Italiana S.p.A.
Stock Exchange Regulation	The Regulation governing Markets Organized and Managed by Borsa Italiana S.p.A.
Issuer Regulations	Regulation issued by Consob through Resolution No. 11971 of May 14, 1999 concerning issuers, as revised and amended
Market Regulation	Regulation issued by Consob through Resolution No. 16191 of October 29, 2007 concerning issuers, as revised and amended
Related-Parties Regulation	Regulation issued by Consob through Resolution No. 17221 of March 12, 2010 concerning related-parties transactions, as revised and amended
Report	This report on corporate governance and corporate structure prepared in accordance with Article 123-*bis* of the CFA
Company/RDM	Reno De Medici S.p.A. ("RDM") with registered office at Via Durini, 16/18, Milan
CFA	Legislative Decree No. 58 of February 24, 1998 as revised and amended

2. ISSUER PROFILE

Reno De Medici S.p.A. has been listed on the Star segment of Borsa Italiana since 1996. The RDM Group is the largest Italian producer, and second-largest European producer, of recycled cardboard with annual production capacity of over one million tons. Manufacturing takes place at 4 production sites in Italy and 3 in Spain, France and Germany. The Company has a staff of about 1,500 employees.

RDM's organization is based on the traditional model, and it is in compliance with regulations for listed issuers.

Its organization can be broken down as follows:

2.1. COMPANY ORGANIZATION

• SHAREHOLDERS' MEETING

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

• BOARD OF DIRECTORS

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

• BOARD OF STATUTORY AUDITORS

This body is charged with overseeing:

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

• INDEPENDENT AUDITOR

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

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

2.2. CORPORATE OBJECTIVES AND MISSION

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

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

The Group has a presence not only in Italy but also in Spain, France, Germany and the UK. The various types of cardboard produced by the Group are intended for use in all areas of packaging and publishing. RDM products are brought to market through various sales channels in order to meet the needs of customers and improve service efficiency. Indeed, customer service is a core value for RDM, which pursues the goal of meeting the needs of both product production and its use by becoming the ideal partner for processors and end customers in terms of ensuring quality, innovation and convenience.

RDM is also actively committed to protecting the environment through the careful management of the energy and natural resources needed for its production process. The closed-cycle value chain for a recycled product is one of the Group's strengths in terms of business sustainability.

RDM pursues its mission in strict compliance with the goal of creating value for its shareholders.

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

For a discussion of the RDM Group's commitment to expanding the green economy, see the Social and Environmental Report for 2012 published on the Company's website.

3. INFORMATION ON OWNERSHIP STRUCTURE AS OF 3/20/2013 (pursuant to Article 123-bis, paragraph 1, of the CFA)

3.1. SHARE CAPITAL STRUCTURE

AMOUNT OF SUBSCRIBED AND PAID-UP SHARE CAPITAL IN EUROS:

€185,122,487.06, fully paid-up

CATEGORIES OF SHARES MAKING UP SHARE CAPITAL:

- 377,478,357 ordinary shares with a nominal value of €0.49;
- 322,637 savings shares convertible to ordinary shares at the request of shareholders in February and September each year.

	No. of shares	% of share capital	Listing	Rights and obligations
Ordinary shares	377,478,357		Listed on MTA Star	Shares are registered and freely transferable. They entitle the holder to participate and vote in ordinary and extraordinary shareholders' meetings, to dividends, and to the repayment of principal in the event of liquidation.
Savings shares	322,637			Savings shares do not entitle the holder to vote in ordinary and extraordinary shareholders' meetings or the right to request the calling of such meetings. Shares are entitled to dividends in the manner set by the By-Laws.
Shares with limited voting rights	/	/	/	/
Shares with no voting rights	/	/	/	/

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

As of the date of this report, RDM has no treasury shares, and it has not approved incentive plans that involve the purchase of treasury shares and/or paid or free increases in share capital.

3.2. SHARE TRANSFER RESTRICTIONS

As of the date of the Report, the only restriction on transferring shares is a three-year lock-up period set out in the Incentive Plan and based on financial instruments given to employees of the

RDM Group for 2010-2011, as approved by the Shareholders' Meeting of October 16, 2009 and terminated on December 31, 2011.

The trading restriction only concerns shares that the employee/beneficiary holds as a result of the aforesaid Plan.

For additional information, see the Disclosure Document pursuant to Article 114-*bis* of the CFA and Article 84-*bis* of the Issuer Regulations published on the Company's website (www.renodemedici.it/investorrelations/documentieprospettiinformativi).

3.3. SIGNIFICANT EQUITY INTERESTS

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

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL HELD	% OF VOTING CAPITAL HELD
Cascades Inc.	Cascades s.a.	48.54	48.54
Industria e Innovazione S.p.A.	Industria e Innovazione S.p.A.	9.072	9.072
Caisse de dépot et placement du Québec	Caisse de dépot et placement du Québec	5.418	5.418
Bankruptcy of Exeufis S.p.A. in liquidation	Exeufis S.p.A. in liquidation	5.512	5.512

3.4. SECURITIES THAT GRANT SPECIAL RIGHTS

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

3.5. EMPLOYEE SHARE HOLDINGS: MECHANISM FOR EXERCISING VOTING RIGHTS

On October 16, 2009 the Shareholders' Meeting of RDM approved an Incentive Plan for employees in relation to which the Disclosure Document was prepared and published pursuant to Article 114-*bis* of Legislative Decree 58/98 and Article 84-*bis* of the Issuer Regulations, and in particular, in accordance with Chart 7 of Appendix 3 of the Issuer Regulations. These are available on the website www.renodemedici.it/investorrelations/documentieprospettiinformativi for further reference. This plan ceased to be effective on December 31, 2011, while the obligations connected with joining the plan (see paragraph 3.6 of this Document) continue to be valid.

Voting rights arising from shares purchased in accordance with the Incentive Plan are vested with, and may only be exercised directly by, the owning shareholder.

3.6. VOTING RIGHT RESTRICTIONS

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

3.7. SHAREHOLDER AGREEMENTS

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

3.8. CHANGE OF CONTROL CLAUSES

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

Note that Article 9 of the Regulation on the Management Incentive Plan, which was approved on April 27, 2011, specifies that *"in the event of an announcement of the launch of a tender offer for the shares of RDM and/or transactions that result in a Change in Current Control, the Board of Directors may vote to pay in advance all or a part of the Bonus, and the CAP will not be applicable."*

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

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

As of the date of this Report, the Shareholders' Meeting has not approved the purchase of treasury shares.

As of the date of this Report, RDM holds no treasury shares.

3.10. MANAGEMENT AND COORDINATION ACTIVITIES

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

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

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

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

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

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

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

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

4.1. INTRODUCTION

RDM has signed up to the Self-Regulation Code adopted by Borsa Italiana in March 2006, which is available on the website of Borsa Italiana (www.borsaitaliana.it).

Reno De Medici S.p.A. has adopted the traditional corporate governance system.

The primary aim of the corporate governance system is to create value for shareholders, while taking account of the importance of transparency in making choices and company decisions, and of the need to develop an effective internal control system. The Company is continually engaged in identifying and pursuing initiatives to improve the governance system. In its effort to continually improve, the Company focuses on domestic and international best practices.

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

In 2012 the Company adjusted its governance system to comply with the new provisions of the Self-Regulation Code issued by Borsa Italiana in December 2011.

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

4.2 KEY GOVERNANCE INSTRUMENTS

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

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

5. BOARD OF DIRECTORS

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

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

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

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

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

Shareholders that are signatories to a significant shareholder agreement pursuant to Article 122 of Legislative Decree 58/1998, the Parent Company, subsidiaries and companies subject to joint control pursuant to Article 93 of Legislative Decree 58/1998 may not individually or collectively submit more than one list including through an intermediary or trust company, and may not vote on different lists, and each candidate may appear on only one list, on penalty of ineligibility. The names of persons included in voting lists prepared in breach of the above and votes cast in breach shall not be assigned to any list.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We hereby note that pursuant to Resolution 18452 of January 30, 2013, Consob confirmed that the level of equity interest specified in Article 144-*quater* of the CFA is 4.5%.

The Company has not adopted a plan of succession for executive directors.

5.2 CURRENT COMPOSITION

On April 27, 2011 the ordinary Shareholders' Meeting set the number of members of the Board of Directors at 9. The current directors are: Christian Dubé, Giuseppe Garofano, Ignazio Capuano, Giulio Antonello, Sergio Garribba, Laurent Lamaire, Vincenzo Nicastro, Carlo Peretti, Emanuele Rossini and Robert Hall. All active directors were taken from the only list submitted by shareholder Cascades s.a.

On November 2, 2012, Christian Dubè resigned as Chairman and member of the Board of Directors. At the same meeting, the Board appointed Robert Hall as Chairman of the Board of Directors. At the same meeting, after confirming the absence of names on the list from which the entire active Board was taken and the lack of any nominations, the Board postponed all decisions concerning the appointment by co-optation and deferred all relevant decisions until the next Shareholders' Meeting. At that time the Board also decided that in the event of a tie vote, the cost cast by the Chairman of the Board of Directors would break the tie.

Thus, the active Board of Directors consists of a total of 8 members, made up of: 3 executive directors (according to the Code's definition), 5 non-executive directors and 3 independent directors.

Name	Position
Christian Dubè	Chairman – Executive director until 11/02/2012
Robert Hall	Chairman – Executive director since 11/02/2012
Giuseppe Garofano	Deputy Chairman – Executive Director
Ignazio Capuano	CEO – Executive Director
Giulio Antonello	Non-Executive Director
Sergio Garribba	Non-Executive, Independent Director
Laurent Lemaire	Non-Executive Director
Vincenzo Nicastro	Non-Executive, Independent Director
Carlo Peretti	Non-Executive, Independent Director

On March 21, 2012 in a plenary session, the Board of Directors, with the assistance of the Board of Statutory Auditors, verified that the requirements for independence had been met for directors Sergio Garribba, Vincenzo Nicastro and Carlo Peretti.

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

Christian Dubè (in office until November 2, 2012)

Born in Canada in October 1956, he obtained a degree in Business Administration at Laval University in 1979. He specialized in corporate finance and M&A, and in 1996 began working for Domtar Inc. and was its CFO from 1998 to 2004. Since 2004 he has been Deputy Chairman and CFO of Cascades Inc. He holds no other positions at listed Italian companies.

Giuseppe Garofano

Born in Nereto (Teramo) in 1944, he obtained a degree in Chemical Engineering at the Polytechnic Institute of Milan and a diploma (which later became a Master in Business Administration) at SDA Bocconi University in Milan in 1972, majoring in business management. He began his professional career as a process engineer at Montedison and then went to work at Istituto Mobiliare Italiano (IMI) and then at Morgan Stanley-First Boston in New York.

He was Deputy Chairman and CEO at Iniziativa Meta and Chairman of Montedison.

He was formerly a director at several major banks and insurance companies including Fondiaria S.p.A. (Deputy Director), Milano Assicurazioni S.p.A. (Deputy Chairman), RAS, Previdente Assicurazioni (Chairman), Deutsche Bank Italia and Mediobanca - Banca per il Credito Finanziario S.p.A. He was also a member of the Advisory Board of the EBRD (European Bank for Reconstruction and Development).

Positions held as director or statutory auditor at other finance companies, banks, insurance companies, or other large companies, listed in regulated domestic and foreign markets:

Chairman of the Board of Directors of RCR Cristalleria Italiana S.p.A.

Chairman of the Board of Directors of Manucor S.p.A.

Chairman of the Board of Directors of Industria e Innovazione S.p.A.

Deputy Chairman of the Board of Directors of Alerion Industries S.p.A.

Director at Autostrada Torino Milano S.p.A.

Director at Banca MB S.p.A.

Director at CBM S.p.A.

Director at Teleombardia S.r.l.

Director at Mediapason S.r.l.

Director Nelke S.r.l.

Director Fondazione Casa della carità Angelo Abriani

Director of the Biomedical University Campus of Rome

Ignazio Capuano

Born in Palermo in 1957, he obtained a degree in hydraulic engineering and then successfully completed a Master's degree in Economics at New York University. Since the beginning of his career, he has focused on strategic finance, planning and industrial development. He was general manager in Italy for the Saffa Group (which later merged with Reno De Medici S.p.A.) from 1998 to 2003 and then became CEO of RWE Italy, which operates in the area of energy and environmental development. Since 2004 he has been CEO of RDM. Since September 2012 he has been Chairman of Comieco, the National Consortium for the Recovery of Cellulose Packaging Materials.

Giulio Antonello

Giulio Antonello was born in Bari in 1968 and obtained a degree in Economics with a specialization in Finance in May 1990 from The Wharton School of Finance, University of Pennsylvania. He obtained a Master's degree in International Affairs from Columbia University, New York. He began his professional career as a financial analyst at UI USA in 1990 in New York; he was Controller (Assistant to the Chairman) at Cemconsult AG (Holcim Group) in Zug from 1992 to 1994; and from 1996 to 1997 he was an associate at IBI Bank AG in Zurich. He was also director at the following companies: Concrete Milano S.p.A., Industriale Calce S.p.A., Dolomite Colombo S.p.A., Star S.p.A., Think S.p.A., Bonaparte 48 S.p.A., Castello di Casole S.p.A., Norman S.p.A., Campisi SIM, and NuovaAntenna3 S.p.A.

Positions held as director or statutory auditor at other finance companies, banks, insurance companies, or other large companies, listed in regulated domestic and foreign markets:

CEO at Alerion Clean Power S.p.A.

Director at Italcementi S.p.A.

Director at Officine CST S.p.A.

Director at Industria e Innovazione S.p.A.

Sergio Garribba

Born in Cles (Trento) on July 11, 1939, he obtained a degree in nuclear engineering from the Polytechnic Institute of Milan and the University of California. He served as a full professor at the Polytechnic Institute of Milan. Sergio Garribba is one of the most prominent experts in the energy sector. He has filled numerous positions in this field for various international organizations, and has served as an advisor to the Italian government on multiple occasions. From January 2004 to November 2006 he was General Manager of the Department of Energy and Mineral Resources at the Ministry of Economic Development. He is the author and co-author of several publications including over 20 books.

Robert Hall

Robert Hall obtained a degree from the University of Sherbrooke in 1983. Before joining the Cascades Group in 1994, he was a partner at Byers Casgrain in Montreal. He has been a member of the Quebec Bar since 1984 and is currently a member of the CBA. He currently holds the position of Chairman of the Board of Directors of Boralex Inc.

Laurent Lemaire

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

Vincenzo Nicastro

Born in Rome in 1947, he obtained a law degree with honors from the University of Parma.

He is an attorney who represents clients at Italy's Supreme Court of Cassation.

He has served, among other things, as Receiver of the Mandelli Group in receivership; one of the three Receivers of the Fornara Group in receivership; Chairman of the Board of Statutory Auditors of Cariverona S.p.A.; Statutory Auditor for Infracom S.p.A., Granarolo S.p.A. and Centrale del Latte di Milano S.p.A.; Chairman of the Board of Directors, and then Chairman of the Board of Statutory Auditors of Liquidatori di Inma S.p.A.; and director of Piccolo Teatro di Milano – Teatro d'Europa.

He is the author of various publications and member of the NED (non-executive directors) Community.

Positions held as director or statutory auditor at other finance companies, banks, insurance companies, or other large companies, listed in regulated domestic and foreign markets:

Director at Industria e Innovazione S.p.A.

Acting Statutory Auditor for UniCredit S.p.A.

Chairman of the Board of Directors of RED IM S.r.l. (a company of the Vailog Realty Group)

Acting StatutoryAuditor for Infracom S.p.A.

Receiver of Carrozzeria Bertone S.p.A. and Bertone S.p.A. in receivership

Carlo Peretti

Peretti was born in Florence in 1930 and obtained a degree in Electrical Engineering at the Polytechnic Institute of Turin.

He began his professional career in 1953 at Fatme Ericsson in the area of designing and producing telephone exchanges.

He worked at Ing. C. Olivetti & C. S.p.A., and in 1959 at the Olivetti Computers Division where he held several positions including CEO and General Manager, and from 1985 to 1997 he was Chairman of the Board of Directors. He participated in the restructuring of distressed companies such as the Rizzoli Corriere della Sera Group (RCS Media Group) where he held the position of Deputy Chairman, and at Cartiere Sottrici Binda S.p.A. where he was Chairman.

Positions held as director or statutory auditor at other finance companies, banks, insurance companies, or other large companies, listed in regulated domestic and foreign markets:

Chairman of the Board of Directors of Vodafone Omnitel N.V.

Director at Industria e Innovazione S.p.A.

Director at Risanamento S.p.A.

Director at Gancia S.p.A.

Director at the JAV Group

Director at BTS

Member of the Supervisory Committee of Equinox Investment Fund

As of the date of this report, in light of the various qualities and (even internationally renowned) abilities of its Board members, RDM did not feel it was necessary to specify rules on the maximum number of director and supervisory positions that its members may hold in other companies; the company therefore decided to allow them to make a judgment on the effective performance of their duties as director in relation to the number of positions held and the amount of work required by each of them. For the same reason, and in light of the huge experience of all directors in the areas in which the Company operates, it was not deemed necessary to set up specific training courses for directors. Bearing in mind the current composition and major contribution made by each member to the management of the Company, due in part to the specific expertise of each director, the Board – having received the approval of the Nominating Committee – decided on February 12, 2013 that its composition was appropriate.

5.3. ROLE AND DUTIES OF BOARD OF DIRECTORS

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

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

- review and approval of strategic, business and financial plans for the Company and Group it heads, the Company's corporate governance system and the Group's structure;
- approval of Significant Transactions as defined in the Procedure for Related-Parties Transactions approved by the Company pursuant to the Related-Parties Regulation;
- annual assessment of the adequacy of the organizational, administrative and general accounting structure of the Company, Group and strategic subsidiaries, to be prepared by the CEO with a focus on the adequacy, effectiveness and actual operation of the internal control system and the management of conflicts of interest;
- assignment and revocation of powers given to delegated bodies except areas that fall under the sole responsibility of the Board pursuant to Article 2381 of the Civil Code and with respect to the provisions of the company By-Laws, and the determination of their limits and methods for exercising such powers;

- approval of compensation for the CEO and other directors holding specific positions, including participation in committees set up by the Board of Directors, subject to a review of the proposals by the Remunerations Committee, and after consulting with the Board of Statutory Auditors pursuant to Article 2389, paragraph 3 of the Civil Code;
- in the event there is no Shareholder Meeting resolution to this effect, allocation of total compensation payable to Board members;
- review of overall operating performance taking into account, in particular, information received from delegated bodies and a periodic comparison of results achieved and planned;
- review and advance approval of the transactions of the Company and its subsidiaries when such transactions have a strategic, operating, balance sheet or financial significance for the Company with a particular focus on situations in which one or more directors have personal interests or represent third-party interests in transactions, and more generally on related parties transactions;
- annual assessment of the size, composition and operation of the Board and its committees with guidelines expressed, as necessary, on professionals who should be on the Board;
- determination of strategic guidelines for the internal control and risk management system, so that the main risks affecting the issuer and its subsidiaries are properly identified and appropriately measured, managed and monitored; determination of criteria for determining the extent to which these risks are compatible with the sound, fair management of the company in keeping with the strategic goals identified;
- assessment, at least annually, of the adequacy, effectiveness and actual operation of the internal control and risk management system with respect to the company's characteristics and the risks assumed, and assessment of its effectiveness.

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

- mergers, in the cases specified in Articles 2505 and 2505-*bis* of the Civil Code, and the cases referenced in Article 2506-*ter* of the Civil Code for spin-offs;
- establishment and closure of branch offices;
- transfer of registered office within Italy;
- indication of those directors who are legal representatives of the company;
- reduction of capital following a redemption;
- adjustment of By-Laws to legal provisions.

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

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

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

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

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

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

f) compensation for any purpose to be paid to the Company's CEO and compensation policies for strategic executives;

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

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

In 2012 RDM's Board of Directors met 5 times with an average duration of 4 hours. Meetings of the Board of Directors may also be held via videoconference and/or conference call. In order to ensure that all Board members can participate, the Chairman of the Board of Directors must work with the legal department to ensure that all documents concerning the agenda items for each meeting are distributed at least 5 business days in advance with the exception of urgent situations.

On January 23, 2013 the Company distributed a schedule providing for the Board to meet 5 (five) times in 2013 and the dates of such meetings. As of the date that this Report was approved by the BoD, only one board meeting (held on February 12, 2013 regarding the approval of the Interim Report as of December 31, 2012) has already taken place. The financial calendar is available on RDM's website (www.renodemedici.it/governance/eventisocietari).

During 2012, meetings of the Board of Directors were also attended by individuals not on the Board such as: Veronica Arciuolo, Head of Legal and Corporate Affairs who also acted as the Board's secretary; Stefano Moccagatta, as CFO and Executive Responsible for the Preparation of the Company’s Financial Reports; and Zaki Haned, Investor Relator. In addition, from time to time the Board also evaluates whether it would be necessary/beneficial to invite outside individuals, depending on the items on the agenda, in order to benefit from their specific expertise.

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

At its meeting of February 12, 2013, the Board of Directors decided that RDM’s organizational, administrative and general accounting structure was adequate. In particular, the BoD was satisfied with the implementation of, and changes made to, the accounting and administrative procedures developed and adopted by the Executive Responsible for the Preparation of the Company’s Financial Reports and the amendments to procedures involving the environmental and security systems, carried out in part to comply with the provisions of Legislative Decree 231/01.

5.4. DELEGATED BODIES: CHAIRMAN, DEPUTY CHAIRMAN AND CEO

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

As of the date of the Report, the Board of Directors had not appointed an executive committee. However, the Executive Directors are listed below:

Chairman of the Board of Directors

Unless absent or unable to perform their duties, the Chairman of the Board of Directors calls Board meetings, coordinates their activities and oversees their performance; the Chairman must also ensure that directors have been given adequate and timely information to allow the Board to speak knowledgeably on matters submitted for its assessment.

At the meeting of April 27, 2011 the Board of Directors assigned to the Chairman, Christian Dubè, all powers to represent the Company with respect to third parties and in court proceedings as dictated by law and the By-Laws and noted that he may carry out any act which, taken alone, does not result in a payment, withdrawal or investment greater than €10,000,000.00 From November 2 onwards, the position of Chairman of the Board of Directors was held by Mr. Hall who was granted the same powers that previously were granted to Mr. Dubè.

Although the Chairman of the Board of Directors has been given management powers, he is not to be considered the Issuer’s principal manager, since that position is formally and in practice held by the CEO.

For this reason, in application of the provisions of Article 2 of the Self-Regulation Code, the Company has not appointed a Lead Independent Director.

The Chairman of the Board of Directors must ensure that during board meetings sufficient time is allotted to all agenda items to allow for a constructive debate and, during meetings, must encourage contributions by directors. In addition, with the assistance of the secretary of the Board of Directors, Ms. Arciuolo, the Chairman must ensure that thorough preparatory information is provided in a timely manner and take the steps necessary to preserve the confidentiality of data and information provided. On average, documents concerning agenda items are sent to all directors and statutory auditors 5 business days in advance. If the documentation is voluminous and complex, it must be accompanied by a summary document. Documentation must only be made available as soon as possible in urgent situations. If deemed appropriate by the Chairman on the basis of the content of the agenda item and related resolution, the background documentation may be provided directly at the meeting with advance notice given to directors and statutory auditors. In this case, in addition to preparing all explanatory documentation necessary and providing all clarifications requested, the Chairman may also suspend the meeting to allow all directors and statutory auditors to study the documentation provided in order to cast their vote with full knowledge.

In addition, directors may also ask questions and ask for information and/or additional documentation before the meeting is held, by sending a request to the following e-mail address: rdm.presidente@rdmgroup.com.

Lastly, since several directors are not Italian, all documentation will also be provided in English.

Deputy Chairman of the Board of Directors

If the Chairman is absent or unable to perform his duties, the Deputy Chairman shall call and chair meetings of the Board of Directors. On April 27, 2011 the Board of Directors appointed Giuseppe Garofano as Deputy Chairman and gave him all powers to represent the Company with respect to third parties and in court proceedings as dictated by law and the By-Laws and also noted that subject to agreement with the Chairman, including on an urgent basis, the Deputy Chairman may carry out any act which, taken individually, does not result in a payment, withdrawal or investment greater than €10,000,000.00.

Both the Chairman and Deputy Chairman are required to promptly notify the Board and Board of Statutory Auditors of any transactions completed as a result of them exercising they powers they have been granted.

CEO

At the meeting of April 27, 2011, the Board of Directors appointed Ignazio Capuano as CEO and assigned him the broadest possible powers of ordinary and extraordinary administration with the exception of those powers which, by law and/or in accordance with the By-Laws, are strictly reserved for the Shareholders' Meeting or the Board as a whole. The CEO may exercise these powers unilaterally for individual transactions that do not involve expense commitments in excess of €10,000,000.00. The Board has also assigned the CEO the responsibility of overseeing the management of the technical and production aspects of the Company's operations.

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

It is hereby confirmed that, in 2012, this information was actually provided by the CEO to the Board of Directors and Board of Statutory Auditors on a quarterly basis, concurrently with the approval of periodic financial reports (financial statements, semi-annual report and quarterly reports) by the Board of Directors, and that such information is contained in the minutes for the individual meetings concerned.

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

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

5.5. NON-EXECUTIVE DIRECTORS

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

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

With the exception of the Chairman, Deputy Chairman and CEO, the other 6 members (5 members starting November 2, 2012) of the Board are all non-executive members.

5.6. INDEPENDENT DIRECTORS

In accordance with the requirements of the Code, the Board of Directors verified at its meeting of March 21, 2012 whether directors qualified as independent actually met the requirements for this qualification under the criteria set by the Self-Regulation Code, according to information provided by the individuals concerned and available to the Company. This verification took place during the Board meeting, but in the absence of the members concerned. The Board of Statutory Auditors verified the adequacy and appropriateness of the criteria and procedure used by the Board to assess whether the requirements of independence had been met. Note that at the time of their nomination, all Independent Directors agreed to uphold this requirement. If a director does not meet this requirement, he/she is required to notify the Board immediately and delay their appointment.

In 2012, the Independent Directors met three times on the occasion of the meeting of the Internal Control Committee, and noted that there were no findings to bring to the attention of the Corporate Bodies. The outcome of this assessment was made known to the market in a press release issued on the same date.

5.7. LEAD INDEPENDENT DIRECTOR

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

6. TREATMENT OF COMPANY INFORMATION

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

The Code of Conduct on Internal Dealing is available on the Company's website (www.renodemedici.it/governance/codiciinterni-2011). To this end, at its meeting on November 4, 2011 the Board of Directors – with the approval of the Internal Control Committee and Board of Statutory Auditors – adopted the new Internal Dealing Procedure and the new Procedure for Confidential Information to replace the previous versions. In 2012 the Company assessed whether to make revisions to the Internal Dealing Procedure in order to bring it in line with new provisions introduced in Consob Resolution No. 18079 of January 20, 2012 (published in Official Gazette No. 31 of February 7, 2012) covering, among other things, the reporting of transactions completed by significant entities and persons closely related to them, as per Article 114, paragraph 7 of Legislative Decree No. 58 of February 24, 1998. Following the review, the Board decided that it was not necessary to make changes to the existing procedure.

6.1 Procedure for reporting confidential information to outsiders

At the aforesaid meeting of November 4, 2011, the Board approved the new procedure concerning Confidential Information containing the "Maintenance and Updating of the Register of Persons Who Have Access to Confidential Information at RDM" in accordance with the provisions of Art. 115-*bis* of the CFA.

The procedure, which incorporates the provisions of Consob's Issuer Regulations, establishes:

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

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

In 2012 the correct application and adequacy of this procedure was the subject of a specific review by the Internal Audit department, which found no anomalies.

6.2 Internal Dealing

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

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

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

7. BOARD COMMITTEES

In order to improve the effectiveness and efficiency of the work of the Board of Directors, the Internal Control and Risk Committee, the Related Parties Transaction Committee, the Remunerations Committee and the Nominating Committee have been established within the Board of Directors. The Procedure for Related Parties Transactions specified that the Committee on this subject should consist only of Independent Directors, and its membership may coincide with the Internal Control and Risk Committee in the event the latter consists of all the Independent Directors on the Board.

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

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

The Board did not see the need to reserve the responsibilities of one or more committees for itself.

8. NOMINATING COMMITTEE

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

The committee is made up of 3 non-executive independent directors: Carlo Peretti – Chairman, Vincenzo Nicastro and Sergio Garribba.

The committee did not meet in 2012. As of the date this Report was approved, the Committee had met on February 12, 2013 with all members present. Proper minutes were prepared for the meeting.

The committee has the following duties:

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

b) propose candidates to the Board of Directors for the position of director in cases of co-optation where it is necessary to replace independent directors.

9. REMUNERATIONS COMMITTEE

9.1. Composition of the remunerations committee

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

The members of the Remunerations Committee are: Vincenzo Nicastro (Independent Director), who serves as Chairman, Carlo Peretti (Independent Director), and Robert Hall – until November 2, 2012 – who was then replaced by Giulio Antonello (Non-executive director).

In 2012 the committee met to assess the adequacy of the remuneration system adopted by the Company.

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

Proper minutes were prepared for meetings of the Remunerations Committee.

9.2. DUTIES OF THE REMUNERATIONS COMMITTEE

In accordance with the Self-Regulatory Code, the Remunerations Committee is charged with submitting proposals to the Board for the remuneration of directors who fill specific positions by monitoring the application of decisions made by the Board; periodically assessing criteria used for the remuneration of executives with strategic responsibilities, if any; overseeing their application on the basis of information provided by CEOs; and making general recommendations to the Board of Directors in this area.

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

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

10. DIRECTOR REMUNERATION

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

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

11. INTERNAL CONTROL COMMITTEE

First, it should be noted that the Internal Control Committee has been assigned all the functions of the Control and Risk Committee, and only its name has remained unchanged. Moreover, the composition of this committee (the Internal Control Committee) meets the requirements and criteria set by the Self-Regulatory Code for the Control and Risk Committee.

11.1. COMPOSITION OF THE COMMITTEE

On April 27, 2011 the Board appointed the Internal Control Committee (i.e. the Control and Risk Committee) for the three-year period 2011-2013.

The Internal Control Committee currently in office consists of 3 non-executive independent directors, of whom one member (Vincenzo Nicastro) has appropriate accounting and financial expertise.

The current Internal Control Committee is made up of: Carlo Peretti – Chairman, Vincenzo Nicastro and Sergio Garribba.

In 2012 the Internal Control Committee had three meetings with an average duration of 1 hour.

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

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

Proper minutes were prepared for the Committee’s meetings.

11.2. DUTIES ASSIGNED TO THE INTERNAL CONTROL COMMITTEE

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

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

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

The specific duties of the Committee include:

- examining significant problems and procedures for overseeing the Company's business;
- assessing the schedule of work prepared by the Internal Audit department and obtaining its periodic reports;
- assessing, together with the Company's administrative managers and auditors, the adequacy of the accounting principles used and their consistency for the purposes of preparing consolidated financial statements;
- overseeing the effectiveness of the process of the official audit of accounts;
- assessing the schedule of work prepared for the audit and findings indicated in the report and recommendation letter;
- reporting to the Board of Directors, at least semi-annually, on the occasion of meetings to approve the draft financial statements and semi-annual report, on activities performed and the adequacy of the internal control system;
- performing any other duties assigned to it by the Board of Directors.

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

- examined and shared with the Internal Audit department the updated analysis of risks faced by the company, assessed the actions and measures taken by the Company to mitigate the extent of these risks and verified the adequacy of the actual operation of the organizational structure and the actual operation of the organizational structure in relation to the internal control system;
- discussed with the Internal Audit department the most significant findings as well as background causes and any difficulties encountered during its activity;
- verified the subsidiaries' adoption of an appropriate Organization and Management Model pursuant to Legislative Decree 231/01;
- examined the plan to update the Organization, Management and Control Model pursuant to Article 231/2001;
- examined the existing 2012 audit plan at the Company and Group and verified its main findings;
- approved the 2012 audit plan;
- initiated assessments under its responsibility concerning the process of preparing the Interim Report and Semi-Annual Report, met with the independent auditor and reported to the Board on the outcome of the above assessments and provided recommendations as necessary;

- verified the adequacy and actual application of accounting principles used and their consistency for the purpose of preparing consolidated financial statements;
- examined the outcome of activities performed by the Company to verify compliance with the provisions of Law 262/2005.

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

During the year, the Internal Control made reports to the Board on March 21, 2012, August 2, 2012 and November 2, 2012.

Pursuant to the Procedure for Related Parties Transactions, if the Internal Control Committee is made up of three independent members, the duties of the Related Parties Transaction Committee are also delegated to the Internal Control Committee.

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

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

12. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

12.1. INTRODUCTION

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

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

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

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

In addition, through the Internal Audit department, the Company continually determines whether this system is appropriate for the Company's structure. In 2012, in keeping with the Audit Plan approved by the Internal Control Committee, and following the specific request of the Oversight Body, 13 audit reports were issued and checks were subsequently made of the corrective actions taken.

The goals assigned to the Group's Internal Control System can be summarized as follows:

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

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

- separation of roles and duties in the completion of critical transactions;
- traceability of transactions;

- management of decision-making processes based on objective criteria, as far as possible.

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

- both preventive and after-the-fact automated or manual line controls for an individual transaction;

- managerial controls over the performance of companies and individual processes as compared to projections.

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

At its meeting on February 12, 2013, after hearing members of the Internal Control Committee and Board of Statutory Auditors, the Board approved the internal control system that had been adopted.

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

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

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

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

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

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

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

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

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

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

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

Risk identification and assessment

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

Assessment of the adequacy of control activities

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

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

A Group-wide manual has been prepared, containing guidelines and a description of processes and controls to be implemented for the preparation of the reporting package, as well as the related declarations to be issued under the signature of each applicable body concerning the adequacy of controls performed and the reliability and consistency of the data provided.

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

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

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

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

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

Audit of the operations of the internal control system

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

Monitoring and development of the control system

In order to allow for the proper monitoring of the system, the “design” of its components is regularly reassessed in all cases upon the occurrence of significant events or the identification of new risks using the risk assessment process. To be specific, following comments that came up during the auditing phases, in 2012 revisions and amendments were made to administrative and accounting procedures.

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

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

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

12.4 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL SYSTEM

On April 27, 2011 the Board appointed the CEO, Ignazio Capuano, to be the executive director charged with overseeing the operation of the internal control system.

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

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

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

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

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

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

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

12.5. MANAGER OF INTERNAL AUDIT DEPARTMENT

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

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

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

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

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

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

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

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

See the description elsewhere in this Report for the activities performed in 2012.

12.6. ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

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

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

On November 4, 2012, partly in consideration of the so-called legal rating, the Company prepared a plan to review, analyze and modify the entire management system pursuant to Legislative Decree 231/01.

As of the date of this Report, the Board has acknowledged (and to the extent necessary, approved) the new mapping of risks and revisions made to the general part of the Model.

The Model was distributed to all employees and is published on the Company's website.

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

The current Oversight Body was appointed on April 27, 2011, and in 2012 it met 4 times with all members attending all meetings.

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

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

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

12.7. INDEPENDENT AUDITOR

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

12.8 EXECUTIVE RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL REPORTS

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

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

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

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

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

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

Together with the CEO, the Executive Responsible also certified the following in a special report attached to the separate financial statements, consolidated financial statements and semi-annual report: (i) the adequacy and actual application of the administrative and accounting procedures indicated above during the period to which these accounting documents refer;

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

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

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

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

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

13. DIRECTOR INTERESTS AND RELATED PARTIES TRANSACTIONS

With regard to related parties' transactions, on November 8, 2010 the Company's Board of Directors formally approved the "Regulation for Related Parties Transactions". This procedure was then revised on August 3, 2011.

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

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

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

b) the transparency mechanism;

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

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

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

Its main features are as follows:

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

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

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

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

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

    (b) it is an associate of the Company;

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

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

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

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

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

2) Identification of Significant Transactions, meaning:

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

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

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

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

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

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

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

The Regulation governing related parties' transactions (which was approved at the meeting of November 8, 2010) as revised and amended, is available on the Company's website at www.renodemedici.it/governance/codiciinterni.

14. APPOINTMENT OF STATUTORY AUDITORS

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

Specifically, the By-law provision concerned states that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 STATUTORY AUDITORS

15.1. CURRENT COMPOSITION OF BOARD OF STATUTORY AUDITORS

The active Board of Statutory Auditors was appointed by the Shareholders' Meeting of April 27, 2011. At that time, the percentage of capital necessary to submit a list was 4.5% of shares with voting rights at ordinary Shareholders' Meetings.

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

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

This list consisted of the following individuals:

- Carlo Tavormina, born in Rome on October 24, 1964;
- Giovanni Maria Conti, born in Milan on October 4, 1964;
- Laura Guazzoni, born in Milan on April 21, 1965;
- Domenico Maisano, born in Milan on June 4, 1969;
- Tiziana Masolini, born in Saronno on December 20, 1973.

The candidates from the only list submitted were elected with 64.8% of voting capital in favor.

The term of the active Board of Statutory Auditors will expire with the approval of the financial statements as of December 31, 2014, and is made up as follows:

Members	Position
Carlo Tavormina	Chairman
Giovanni Maria Conti	Acting statutory auditor
Laura Guazzoni	Acting statutory auditor
Tiziana Masolini	Deputy statutory auditor
Domenico Maisano	Deputy statutory auditor

At the first working meeting, the Board of Directors determined whether all requirements had been met to hold the position of statutory auditor, and the outcome of this determination was positive.

Partly in an effort to coordinate its activities with other areas involved in the Company's control system, the Board of Statutory Auditors also regularly participates in all meetings of the Oversight

Body and Internal Control Committee, it maintains direct relationships with company departments from which it can request clarifications and explanations, and meets at least semi-annually with the independent auditor.

In 2012 the current Board of Statutory Auditors met 4 times with an average duration of 3 hours.

15.2. ROLE AND DUTIES

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

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

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

(ii) met with the Internal Audit department and the Internal Control Committee while carrying out its activities in specific meetings, and also participated in all meetings of the Internal Control Committee and Oversight Body;

(iii) expressed its opinion during Board meetings when requested to do so;

(iv) in its capacity as the Internal Control and Legal Oversight Committee, it supervised the application of the internal control system and asked Internal Audit to conduct specific audits of company departments.

16. INVESTOR RELATIONS

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

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

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

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

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

On January 4, 2012, to implement the Board resolution of August 3, 2011, Zaki Haned was appointed as Investor Relator.

In partnership with Image Building S.p.A., Mr. Haned maintains relationships with investors, shareholders and financial analysts.

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

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

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17. SHAREHOLDERS' MEETINGS

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

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

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

As specified by Article 8 of the Company By-Laws, which was revised on November 8, 2010 to implement Legislative Decree 27/2010, *"Shareholders' Meetings shall be convened by a notice containing the information required under current regulations and published according to the deadlines dictated by law: - on the Company's website; - and where required by mandatory order or decision of directors, in the Official Gazette of the Italian Republic or in one of the following newspapers: Il Sole 24 Ore, MF - Milano Finanza and Finanza & Mercati; - and in the other ways specified by current regulations and other rules. Shareholders' Meetings are to be called by a notice published within the deadlines and as dictated by law in the following newspapers: Il Sole 24 Ore, Milano Finanza or Finanza & Mercati."*

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

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

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

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

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

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

In 2012 only one ordinary Shareholders' Meeting was held. On that occasion, shareholders did not propose any additions to the agenda.

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

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

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

At the Shareholders' Meeting of April 27, 2012, the Chairman explained the Report on Remuneration to shareholders.

During the year, no significant changes were announced in the Company's capitalization or in the composition of its corporate structure.

18. CHANGES SINCE THE END OF THE REPORTING YEAR

There were no significant changes in the structure of corporate governance described from the end of financial year 2012 until this report was prepared.

Table no. 1: Board of Directors

Director	Office	Executive	Non-executive	Independent	Attendance/Meetings (*)	Number of other offices
Christian Dubè (**)	Chairman	X			5/5	
Giuseppe Garofano	Deputy Chairman	X			5/5	
Ignazio Capuano	CEO	X			5/5	
Giulio Antonello	Director		X		5/5	1
Robert Hall (***)	Director		X		5/5	1
Sergio Garribba	Director		X	X	5/5	2
Laurent Lemaire	Director		X		5/5	
Vincenzo Nicastro	Director		X	X	5/5	4
Carlo Peretti	Director		X	X	5/5	4

(*) Every absence at Board of Directors' meetings was duly justified.

(**) Member of the Board who no longer holds office since November 2, 2012.

(***) Chairman of the Board of Directors from November 2, 2012.

Table no. 2: Internal Control Committee

Director	Office	Independent	Attendance at Meetings
Carlo Peretti	Chairman	X	3/3
Vincenzo Nicastro		X	3/3
Sergio Garribba		X	3/3

Table No.3: Remuneration committee

Director	Office	Independent	Attendance at Meetings
Vincenzo Nicastro	Chairman	X	1/1
Carlo Peretti		X	1/1
Robert Hall (*)			1/1

(*) Member of the Committee who no longer holds office since November 2, 2012 and who has been replaced by G. Antonello (Director).

Table no. 4: Supervisory Authority

Member	Office	Independent	Attendance at Meetings
Carlo Peretti	Chairman	X	3/3
Vincenzo Nicastro		X	3/3
Veronica Arciuolo			3/3

Table No. 5: Appointments Committee (*)

Director	Office	Independent	Attendance at Meetings
Carlo Peretti	Chairman	X	
Vincenzo Nicastro		X	
Sergio Garribba		X	

(*) The Committee was established on November 2, 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

CONSOLIDATED STATEMENT OF INCOME

	Note	12.31.2012	12.31.2011 (*)
(thousands of Euros)			
Revenues from sales	1	466,319	507,051
- of which related parties		*8,399*	*9,047*
Other revenues and income	2	12,052	14,235
- of which related parties		*1,718*	*1,654*
Change in inventories of finished goods	3	4,260	(4,675)
Cost of raw materials and services	4	(378,312)	(409,442)
- of which related parties		*(19,474)*	*(17,916)*
Personnel costs	5	(72,437)	(72,660)
Other operating costs	6	(4,867)	(4,499)
Gross operating profit		**27,015**	**30,010**
Depreciation and amortization	7	(26,279)	(27,496)
Write-downs	8	(2,219)	(383)
Operating profit		**(1,483)**	**2,131**
Financial expense		*(7,286)*	*(7,466)*
Gains (losses) on foreign exchange		*98*	*452*
Financial income		*153*	*73*
Net financial income (expense)	9	(7,035)	(6,941)
Gains (losses) from investments	10	(2,946)	(670)
Taxes	11	(723)	3,793
Profit (loss) for the year before discontinued operations		**(12,187)**	**(1,687)**
Discontinued operations	12		(536)
Profit (loss) for the year		**(12,187)**	**(2,223)**
Total profit (loss) for the year attributable to:			
- The Group		(12,334)	(2,512)
- Minority interests		147	289
Basic earnings (loss) per ordinary share (Euros)		(0.033)	(0.008)
Diluted earnings (loss) per ordinary share (Euros)		(0.033)	(0.008)
Basic earnings (loss) per ordinary share before discontinued operations (Euros)		(0.033)	(0.007)
Diluted earnings (loss) per ordinary share before discontinued operations (Euros)		(0.033)	(0.007)

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	12.31.2012	12.31.2011 (*)
(thousands of Euros)			
Profit (loss) for the year		(12,187)	(2,223)
Other components of comprehensive profit (loss)			
Actuarial gain (loss)		*(4,281)*	*(616)*
Change in fair value of cash flow hedges		*141*	*100*
Profit (loss) on translation of financial statements of foreign investee companies		*54*	*35*
Total other components of comprehensive profit (loss)		(4,086)	(481)
Total comprehensive profit (loss)		(16,273)	(2,704)
Total comprehensive profit (loss) attributable to:			
- The Group		(16,402)	(2,990)
- Minority interests		*129*	*286*

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	12.31.2012	12.31.2011
(thousands of Euros)			
ASSETS			
Non-current assets			
Tangible fixed assets	13	228,929	239,831
Goodwill	14	63	63
Intangible Assets	15	2,970	2,476
Intangible assets with an indefinite useful life	15	3,293	3,590
Equity investments	16	2,788	5,810
Deferred tax assets	17	1,312	399
Available-for-sale financial assets	18	191	195
Trade receivables	19	41	82
Other receivables	20	693	328
Total non-current assets		240,280	252,774
Current assets			
Inventories	21	78,929	77,982
Trade receivables	19	85,377	92,289
- of which related parties	*34*	*621*	*886*
Receivables from associates and joint ventures	19	966	1,547
Other receivables	20	6,390	5,392
Other receivables from associates and joint ventures	20	90	1,192
Cash and cash equivalents	22	3,137	2,564
Total current assets		174,889	180,966
Non-current assets held for sale	23		1,290
TOTAL ASSETS		415,169	435,030

	Note	12.31.2012	12.31.2011 (*)
(thousands of Euros)			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		185,122	185,122
Other reserves		(3,977)	(109)
Retained earnings (losses)		(32,649)	(29,926)
Profit (loss) for the year		(12,334)	(2,512)
Shareholders' equity attributable to the Group		136,162	152,575
Minority interests		560	713
Total shareholders' equity	24	136,722	153,288
Non-current liabilities			
Payables to banks and other lenders	22	37,042	45,934
Derivative instruments	25	765	1,022
Other payables	26	1,490	1,543
- of which related parties	*34*	*1,204*	*1,204*
Deferred taxes	27	15,487	18,399
Employee benefits	28	29,181	24,363
Non-current provisions for risks and charges	29	5,800	6,716
Total non-current liabilities		89,765	97,977
Current liabilities			
Payables to banks and other lenders	22	49,275	42,764
Derivative instruments	25	637	601
Trade payables	30	116,368	116,813
- of which related parties	*34*	*1,936*	*1,416*
Payables to associates and joint ventures	30	7,030	7,066
Other payables	26	13,103	15,899
Other payables to associates and joint ventures	26	2,120	
Current taxes	31	124	358
Employee benefits	28	25	264
Total current liabilities		188,682	183,765
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		415,169	435,030

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	12.31.2012	12.31.2011 (*)
(thousands of Euros)			
Profit (loss) for the year before discontinued operations and taxes		(11,464)	(5,479)
Depreciation and amortization	7	26,279	27,496
Write-downs	8	2,743	383
Losses (gains) from investments	10	2,946	670
Financial (income) expense	9	7,134	7,392
Capital losses (gains) on sale of fixed assets	2	(264)	
Net change in provisions for employee benefits and in other provisions, including the provision for bad and doubtful receivables		(3,204)	(3,867)
Change in inventories	21	(2,184)	3,943
Change in receivables		6,147	25,916
- of which related parties	*34*	*846*	*(12)*
Change in payables		(2,375)	(3,716)
- of which related parties	34	*483*	*1,052*
Change in total working capital		1,589	26,143
Gross cash flows		25,758	52,738
Interest paid in the year		(5,360)	(5,260)
- of which related parties	*34*	*61*	*(27)*
Interest received in the year		108	49
- of which related parties	*34*	*108*	*49*
Taxes paid in the year		(4,087)	(2,847)
Cash flows from (used by) operating activities		16,419	44,680
Sale (purchase) of available-for-sale financial assets	18	4	(4)
Net investment in non-current assets	13,15	(17,754)	(23,552)
Disinvestment of non-current asset held for sale and spare parts		2,365	
Investment in joint ventures	16	(30)	(30)
Dividends received		170	290
Cash flows from (used by) investing activities		(15,245)	(23,296)
Dividends paid		(282)	(583)
Change in other financial assets and liabilities and short-term payables to banks		8,508	(10,500)
- of which related parties	*34*	*3,222*	*(2,108)*
Change in medium- and long-term loans		(8,881)	(9,982)
Cash flows from (used by) financing activities		(655)	(21,065)
Translation differences	24	54	35
Change in unrestricted cash and cash equivalents	22	573	354
Unrestricted cash and cash equivalents at the beginning of the year	22	2,564	2,210
Unrestricted cash and cash equivalents at the end of the year	22	3,137	2,564

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(thousands of Euros)	Share capital	Legal reserve	Other reserves	Profit (loss) carried forward	Profit (loss) for the year (*)	Hedging reserve	Actuarial gain (loss) (*)	Shareholders' equity attributable to the Group	Total Shareholders' equity attributable to minority interests	Total Shareholders' Equity
Shareholders' equity at 12.31.2010	185,122	5	965	(31,090)	1,367	(804)		155,565	1,010	156,575
Dividends distributed									(583)	(583)
Allocation of 2010 profit		203		1,164	(1,367)					
Profit (loss) for the year					(2,512)			(2,512)	289	(2,223)
Other components of comprehensive profit (loss)			35			100	(613)	(478)	(3)	(481)
Total comprehensive profit (loss)			35		(2,512)	100	(613)	(2,990)	286	(2,704)
Shareholders' equity at 12.31.2011 (*)	185,122	208	1,000	(29,926)	(2,512)	(704)	(613)	152,575	713	153,288
Dividends distributed									(282)	(282)
Allocation of 2011 profit		200		(2,712)	2,512					
Other changes				(11)				(11)		(11)
Profit (loss) for the year					(12,334)			(12,334)	147	(12,187)
Other components of comprehensive profit (loss)			54			141	(4,263)	(4,068)	(18)	(4,086)
Total comprehensive profit (loss)			54		(12,334)	141	(4,263)	(16,402)	129	(16,273)
Shareholders' equity at 12.31.2012	185,122	408	1,054	(32,649)	(12,334)	(563)	(4,876)	136,162	560	136,722

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

STRUCTURE AND CONTENT

RDM is a company which is established as a legal person under Italian law. The RDM Group operates mainly in Europe. The business of the Group is the production and distribution of cartonboard made mainly from recycled fibers (recycled cartonboard). The commercial operations are carried out through a network of agents under the joint venture Careo S.r.l.

RDM has its registered office in Milan, Italy.

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

The consolidated financial statements of the RDM Group were approved and authorized for publication by the Board of Directors of RDM on March 20, 2013.

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

The consolidated financial statements for 2012 have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/205. IFRS is also understood as all the revised accounting principles (International Accounting Standards or IAS), and all the interpretations of the IFRS Interpretations Committee (“IFRIC”) and of its predecessor, the Standing Interpretations Committee (“SIC”).

RDM applied the same accounting principles, with the exception of the classification of actuarial gains/losses from the calculation of employee benefits, as for the Annual Report at December 31, 2011. These actuarial gains/losses are now recorded under "Other Components of the Statement of Comprehensive Income" in accordance with the new IAS 19 following early adoption thereof. As a result, the comparative figures as of December 31, 2011 were restated, which had the following effects on the consolidated income statement:

	12.31.2011
(thousands of Euros)	
Financial expenses – Acturial gain/loss write-off	844
Taxes on Actuarial gain (loss)	(228)
Impact on profit (loss) for the year	**616**
attributable to:	
- Group	613
- Minority interests	3

The accounting standards, amendments and interpretations effective as of January 1, 2012 and not relevant to the Group are as follows:

- Amendment to IAS 12 – Income Taxes.

The following accounting principles, amendments and interpretations are not yet applicable and not adopted early by the Group:

- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IFRS 13 – Fair Value Measurement;
- Amendment to IAS 1 – Presentation of Financial Statements;
- Amendment to IAS 32 – Financial Instruments: Presentation;
- Amendment to IFRS 7 – Financial Instruments: Disclosures.

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

- IFRS 9 – Financial Instruments;
- Annual Improvement to IFRSs – 2009-2011 Cycle.

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

The financial statements are prepared on the going-concern assumption. In this respect, despite operating in a persistently difficult economic and financial environment, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern.

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

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

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

SCOPE OF CONSOLIDATION

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

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

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

Corporate name	Registered office	Activity	Share capital (Eur/1000)	Control percentage 12.31.2012 direct	indirect	12.31.2011 direct	indirect
Reno De Medici Iberica S.L.	Prat de Llobregatt (E)	Industrial	7,467	100.00%		100.00%	
Reno De Medici UK Limited	Wednesbury (GB)	Industrial	11,658	100.00%		100.00%	
Reno De Medici Arnsberg GMBH	Arnsberg (D)	Industrial	5,113	94.00%	6.00%	94.00%	6.00%
RDM Blendecques S.A.S.	Blendecques (F)	Industrial	1,037	100.00%		100.00%	
Cartiera Alto Milanese S.p.A.	Milan (I)	Commercial	200	100.00%		100.00%	
Emmaus Pack S.r.l.	Milan (I)	Industrial	200	51.39%		51.39%	
Cascades Grundstück GmbH & Co. KG	Arnsberg (D)	Services	5	100.00%		100.00%	
R.D.M. Ovaro S.p.A.	Milan (I)	Industrial	12,500	80.00%			

Compared with December 31, 2011, note the change in the scope of consolidation following the entry of the new company R.D.M. Ovaro S.p.A. For more details, please refer to the Directors' Report under the paragraph "Main transactions of the Reno De Medici Group in 2012".

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

Corporate name	Registered office	Activity	Share capital (Eur/1000)	Control percentage 12.31.2012 direct	indirect	12.31.2011 direct	indirect
Associates							
Pac Service S.p.A.	Vigonza (I)	Industrial	1,000	33.33%		33.33%	
Joint ventures							
Careo S.r.l.	Milan (I)	Commercial	100	70.00%		70.00%	
Carta Service Friuliana S.r.l. (formerly Tissue Core in liq.)	Milan (I)	Industrial	60	50.00%		51.00%	
ZAR S.r.l.	Silea (I)	Industrial	90	33.33%		33.33%	
Manucor S.p.A.	Milan (I)	Industrial	10,000	22.75%		22.75%	

ACCOUNTING PRINCIPLES

Consolidation Principles

The financial position, results and cash flows of the RDM Group include the financial position, results and cash flows of Reno De Medici S.p.A. and of the companies over which it has the right to exercise control. The definition of control is not based solely on the concept of legal ownership. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain the related benefits. Control is generally presumed to exist where the Group holds, directly or indirectly, more than half the voting rights, also taking into consideration any potential voting rights that are immediately exercisable. 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 shares of 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 respectively.

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 (see "Business Combinations");

- all balances and significant transactions between Group companies are eliminated, as are any profits and losses (unless losses indicate an impairment of the sold asset requiring recognition) arising from commercial or financial intragroup transactions not yet realized with third parties;

- any increases or decreases in a subsidiary's equity arising from its post-acquisition results are recorded upon elimination in the equity reserve "Retained earnings/(losses)";

- dividends distributed by Group companies are eliminated from the income statement upon consolidation.

Consolidation of Foreign Companies

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

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

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

Currency	Start of period exchange rate	Average exchange rate	Closing exchange rate 12.31
GBP	0.8353	0.8109	0.8161

Equity investments

This item includes equity investments in associates and joint ventures. These equity investments are valued using the equity method.

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

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

Associates

Associates refer to those companies in which the Group exercises a significant influence, but not control or joint control, over its financial and operating policies.

Joint Ventures

Joint ventures are those companies where the Group's power to govern the financial and operating policies requires the unanimous consent of the other parties exercising joint control. Joint ventures are consolidated at equity using the Group's accounting principles.

Business Combinations

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

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

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

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

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

Tangible fixed assets

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

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

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

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

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

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

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

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

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

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

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale consist of non-current assets whose carrying value will be recovered principally through a sale rather than through continuing use. Assets held for sale are stated at the lower of their carrying amount and their fair value less costs to sell and are not depreciated.

GOODWILL

Goodwill is not amortized but is subject to impairment testing carried out annually or alternatively at more frequent intervals if there is any indication that an asset may be impaired, in accordance with IAS 36 (see the section "Impairment" below).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible Assets

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

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

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

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

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

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

Impairment

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

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

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

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

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

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

Derivative instruments

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

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

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

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

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

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

TRADE AND OTHER RECEIVABLES

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

INVENTORIES

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

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

CASH AND CASH EQUIVALENTS

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

Employee benefits

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

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

The defined-benefit plans, such TFR accrued before the 2007 Italian Finance Law came into force, are plans for benefits subsequent to the termination of the employment relationship that are a future obligation and for which the Company bears the relevant actuarial and investment risks. The TFR fund is measured at the actuarial value of the liability of the Company, in accordance with current legislation and with the national collective and company-specific labor agreements. The actuarial valuation, based on demographic, financial and turnover assumptions, is entrusted to independent actuaries.

As reported above, from January 1, 2012, actuarial gains/losses are recorded under "Other Components of the Statement of Comprehensive Income" in accordance with the new IAS 19 following early adoption thereof, instead of transiting from the income statement.

Cash-Settled, Share-Based Compensation Plan

In the previous year, Reno De Medici S.p.A. approved two cash-settled, share-based incentive plans (one for management and one for its own employees and for employees of Group companies). The Ordinary Shareholders' Meeting of April 2011 approved a new incentive plan for management. The plan was based on financial instruments pursuant to article 114 *bis* of Legislative Decree no. 58/98.

According to IFRS 2, the options are initially measured at their allocation-date fair value, including an estimate of the options that will actually accrue in favor of assignees. The determined value is recorded as a personnel cost on the income statement on a straight-line basis throughout the accrual period.

This is done on the basis of a management estimate of stock options that will accrue. Fair value is determined by using a binomial tree option calculator.

Until the liability has been extinguished, the fair value of the options must be recalculated on each reporting date and on the settlement date, with all changes in fair value reported on the income statement.

Provisions for Risks and Charges

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

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

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

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

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

Payables to Banks and Other Lenders

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

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

Trade and Other Payables

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

Recognition of Revenues

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

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

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

TAXES

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

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

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

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

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

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

Reno De Medici S.p.A., all of its Italian subsidiaries (Emmaus Pack S.r.l., Cartiera Alto Milanese S.p.A. and R.D.M. Ovaro SpA) and the joint venture Careo S.r.l. have signed up to the Italian national tax consolidation scheme pursuant to Articles 117 *et seq.* of the Consolidated Law on Income Tax (TUIR). The Company acts as the consolidating company and becomes a single taxable base for the group of companies taking part, thereby enabling this group to offset taxable income against tax losses in a single tax return. Each company participating in the consolidation transfers its taxable income or tax loss to the consolidating company. As a consequence of this transfer, Reno De Medici S.p.A. recognizes a receivable or a payable corresponding to the IRES (Italian corporate income tax), net of any payments on account, from or to the participating company, depending on whether it contributes taxable income or a tax loss.

DISCONTINUED OPERATIONS

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

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

Foreign-Exchange Differences

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

Dividends

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

Earnings Per Share

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

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

Financial Instruments and Risk Management

IFRS 7 - Financial Instruments: Disclosures requires extensive disclosures to be made in connection with the nature of credit, liquidity and market risks and the way in which these risks are managed. In this regard, more information can be found in the "Financial Instruments and Risk Management" section of the Notes to the Consolidated Financial Statements.

Estimates and Valuations

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

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

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

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

Fair Value of Derivative Contracts and Financial Instruments

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

Taxes

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

Impairment Tests

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

No goodwill has been allocated to the Reno de Medici CGUs, meaning there is no need for a specific annual impairment test. However, the current global economic and financial crisis, which has caused heavy losses on the major regulated markets in recent months, makes it impossible to predict national and global future economic scenarios.

Furthermore, the crisis on the financial markets has caused the Group's market capitalization to continue to display a downward trend, with an average level that is lower than shareholders' equity. Essentially this gap started to appear in the second half of 2008, just as the effects of the global financial crisis began to take hold.

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

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

The recoverability of carrying amounts is tested by comparing the net book value of the individual cash-generating units with the present value of the estimated future cash flows from the continuing use of the assets making up the cash-generating units and that of their terminal value.

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

a) estimates of future operating cash flows;

b) the discount rate;

c) the final growth rate.

With respect to point a), given the current economic and financial crisis, the RDM Group has made a prudent assumption, valid only for impairment testing, of the development of its operations between 2013 and 2015.

The Group has used the same rate, 7.10%, for all cash-generating units when discounting cash flows, a rate which reflects current market assessments and also takes into account the specific risks of the sector.

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

On this basis, there was no need to recognize an impairment loss except at the Magenta, Marzabotto and Blendecques mills, where, in order to determine the recoverable amount of the production units, fair value less costs to sell (current market value) had to be used rather than value in use, and this was calculated on the basis of expert independent appraisals.

In addition, on the basis of the recommendations included in Joint Document no. 4 of the Bank of Italy, Consob (the Italian stock exchange regulator) and ISVAP (the Italian insurance regulator) of March 4, 2010, the Group prepared sensitivity analyses on the results of the tests, basing these on changes in the underlying assumptions (the use of the growth rate in calculating the terminal value and the discount rate) that affect the value in use of the cash-generating units, but there was no need to record impairment losses.

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

Business plans were thus amended for the impairment testing of cash-generating units and investments, in order to take account of the current economic and financial situation and of the uncertainties weighing on all the main variables of the business.

In this respect, however, the present valuations may need to be revised if the crisis continues or worsens.

Segment Information

The following segment information has been prepared on the basis of the reports that management uses and reviews to assess performance and to take its main strategic decisions.

Segments have been sub-divided geographically according to the location of the Group's mills and its cutting and/or distribution centers.

The reports used by management show results by individual mill and cutting and/or distribution center. The data are then aggregated into five geographical areas: Italy, Spain, Germany, France, and the United Kingdom.

The Italy area consists of the mills at Ovaro, Marzabotto, Villa Santa Lucia, Santa Giustina and Magenta, together with the cutting and/or distribution centers such as Emmaus Pack S.r.l. and Cartiera Alto Milanese S.p.A.; the Spain area consists of the mill at Almazán and the cutting and/or distribution center at Lliçà de Vall, together with smaller centers; the Germany area consists of the mill at Arnsberg; the France area consists of the mill at Blendecques; and the UK area consists of the cutting and distribution center at Wednesbury.

Revenues by individual operating segment are generated by the sale of coated recycled cartonboard.

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

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

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

As part of the way in which the Group is managed, the treasury function of the Parent Company Reno De Medici S.p.A. continually monitors and manages financial income and expense, as well as taking all decisions of a financial nature.

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

The following table provides profit and loss data by geographical area for 2012 and 2011:

Income Statement 12.31.2012	Italy	Spain	Germany	France	UK	Unallocated items & adjustments	Consolidated
(thousands of Euros)							
Revenues from sales	288,804	33,977	121,194	57,553	7,307	(42,516)	466,319
Intragroup revenues from transactions with other segments	(40,795)		(1,136)	(583)	(2)	42,516	
Net revenues from external customers	248,009	33,977	120,058	56,970	7,305		466,319
Gross operating profit	18,808	195	8,472	(178)	(608)	326	27,015
Depreciation and amortization	(15,456)	(742)	(9,568)	(598)	(63)	148	(26,279)
Write-downs	(1,914)	(8)	(680)			383	(2,219)
Operating profit	1,438	(555)	(1,776)	(776)	(671)	857	(1,483)
Net financial income (expense)	(6,339)	176	(422)	(334)	11	(127)	(7,035)
Gains (losses) from investments	(2,569)					(377)	(2,946)
Taxes	(1,534)		274	(118)		655	(723)
Profit (loss) for the year	(9,004)	(379)	(1,924)	(1,228)	(660)	(1,008)	(12,187)
Share of profit/(loss) attributable to equity-accounted investments	(2,930)						
Total assets	379,359	18,470	114,956	20,639	4,727	(122,982)	415,169
Total investments	11,785	255	4,697	1,098			17,835

Income Statement 12.31.2011 (*)	Italy (*)	Spain	Germany (*)	France (*)	UK	Unallocated items & adjustments	Consolidated
(thousands of Euros)							
Revenues from sales	324,284	38,619	124,152	59,894	7,277	(47,175)	507,051
Intragroup revenues from transactions with other segments	(45,358)		(1,270)	(544)	(3)	47,175	
Net revenues from external customers	278,926	38,619	122,882	59,350	7,274		507,051
Gross operating profit	21,787	709	9,121	(711)	(125)	(771)	30,010
Depreciation and amortization	(16,369)	(936)	(9,835)	(534)	(59)	237	(27,496)
Write-downs			(383)				(383)
Operating profit	5,418	(227)	(1,097)	(1,245)	(184)	(534)	2,131
Net financial income (expense)	(6,652)	251	(196)	(344)			(6,941)
Gains (losses) from investments	1,639					(2,309)	(670)
Taxes	4,454	(827)	86	8		72	3,793
Profit (loss) for the year before discontinued operations	4,859	(803)	(1,207)	(1,581)	(184)	(2,771)	(1,687)
Discontinued operations				(536)			(536)
Profit (loss) for the year	4,859	(803)	(1,207)	(2,117)	(184)	(2,771)	(2,223)
Share of profit/(loss) attributable to equity-accounted investments	(625)						
Total assets	409,536	49,544	121,616	21,674	4,769	(172,109)	435,030
Total investments	14,430	737	7,163	1,372			23,702

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

In 2011 and 2012, no single external customer of the Group accounted for more than 10% of consolidated revenues.

1. Revenues from sales

These revenues arise essentially from sales of cartonboard:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Revenues from sales	466,319	507,051	(40,732)
Total revenues from sales	466,319	507,051	(40,732)

The following table provides a geographical breakdown of sales revenues:

	12.31.2012	12.31.2011	Change	%
(thousands of Euros)				
Italy	162,373	170,645	(8,272)	(4.8%)
EU	226,227	250,221	(23,994)	(9.6%)
Non-EU	77,719	86,185	(8,466)	(9.8%)
Total revenues from sales	466,319	507,051	(40,732)	(8%)

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

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

Revenues of the Reno De Medici Group reached €466.3 million in 2012, a fall compared with the figure of €507.1 million in 2011. This decrease was due to the combined effect of the lower quantities sold and the fall in average sales prices following a drop in the cost of raw materials.

2. Other revenues and income

Other revenues and income may be analyzed as follows:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Grants	288	607	(319)
Indemnities	466	858	(392)
Energy revenues	7,546	8,366	(820)
Other revenues	3,751	4,404	(653)
Total	12,052	14,235	(2,183)

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

"Revenues from sales of energy" relate to amounts received from certain energy suppliers for joining the "interruption" scheme, to income from the sale of electricity in 2012 by mills in Italy, France and Germany, and to income from the use of gas storage rights.

"Other revenues" relate mainly to services provided to associates and joint ventures, in the amount of around €1.7 million, capital gains from the sale of plant and machinery at the Marzabotto mill, extraordinary income and other minor revenues.

3. Change in inventories of finished goods

The change in inventories of finished goods (€4.3 million) is due to a different development of factors which sees greater stocks in the warehouse compared with 2011 due to the normal cycle of orders, very slightly offset by the fall in prices.

4. Cost of Raw Materials and Services

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Cost of raw materials	**214,024**	**238,774**	**(24,750)**
Purchase of raw materials	210,712	239,507	(28,795)
Change in inventories of raw materials	3,312	(733)	4,045
Commercial services	**49,034**	**52,462**	**(3,428)**
Shipping	37,515	38,799	(1,284)
Commission and agents' costs	11,519	13,663	(2,144)
Industrial services	**97,799**	**99,979**	**(2,180)**
Energy	69,225	65,407	3,818
Maintenance	10,547	12,364	(1,817)
Waste disposal	10,385	11,995	(1,610)
Other industrial services	7,642	10,213	(2,571)
General services	**13,735**	**14,617**	**(882)**
Insurance	3,211	3,207	4
Legal, notarial, administrative and contractual services	3,952	4,093	(141)
Board of directors	1,515	1,529	(14)
Board of statutory auditors	214	200	14
Postal and telecommunications	679	668	11
Other	4,164	4,920	(756)
Use of third-party assets	**3,720**	**3,610**	**110**
Rental and leasing	3,720	3,610	110
Total	**378,312**	**409,442**	**(31,130)**

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

As far as the performance of the main production factors is concerned, in 2012 recycled fibers showed a sharp drop in average prices compared with 2011, still, however, remaining at medium-high levels compared with previous years.

With regard to energy components, and specifically natural gas which is the main source of energy for the Group, a slight fall in market prices compared with previous months was recorded in the last months of the year, although they are still very much higher in Italy than the EU average.

Following the price dynamics illustrated above, the impact of these costs on the value of production ("Revenues from sales" plus the "Change in inventories of finished goods") fell during the year in question, going from 47.5% in 2011 to 45.5% in 2012.

Overall service costs fell by 3.9% over the previous year (€160.6 million for the year ended December 31, 2012 against €167.1 million for the year ended December 31, 2011). These costs amounted to 34.1% of the value of production (33.3% at the end of December 2011). This is largely attributable to the increase in energy costs, where prices, in spite of the slight fall recorded in the last months of the year, have remained at high levels.

Costs for "Use of third-party assets" at December 31, 2012 are in line with the consolidated figures at December 31, 2011.

5. Personnel costs

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Salaries and wages	52,273	53,650	(1,377)
Social security contributions	15,899	15,958	(59)
Allowance for defined-contribution plans	1,828	1,657	171
Allowance for defined-benefit plans	221	195	(26)
Other costs	2,216	1,200	1,016
Total	**72,437**	**72,660**	**(223)**

In 2012 labor costs remained substantially unchanged compared to the previous year, dropping from €72.7 million to €72.4 million in 2012. However, there were significant changes in the components of this measure due mainly to Italian operations. The decrease in costs due to the reduction in staff and hours worked, mainly as a result of the suspension of paper-making operations of the Magenta plant, was partially offset by the provisions needed to cover the costs of future staff layoffs. This was in addition to annual contract increases for the entire Group.

In light of the year's results and the worsening macroeconomic climate, the 2012 financial statements do not contain any new provisions for the 2011-2013 phantom stock plan for senior management compared with when the plan was approved. More information can be found in Note 28, "Employee Benefits".

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

Employees by category	12.31.2012	12.31.2011	Change
Executives	13	11	2
White-collars	382	398	(16)
Blue-collars	1,035	1,093	(58)
Total	**1,430**	**1,502**	**(72)**
Workers subject to wage guarantee fund	81	37	44
Active workforce	**1,349**	**1,465**	**(116)**

Average employees by category	12.31.2012	12.31.2011	Change
Executives	13	11	2
White-collars	395	407	(12)
Blue-collars	1,068	1,118	(50)
Total	**1,476**	**1,536**	**(60)**

During the course of the year the Company resorted to the wage guarantee fund to deal with brief and unexpected contingency situations which led to a halt in production at almost all plants. At the Magenta plant in 2012 the wage guarantee fund was used for a corporate crisis.

6. Other operating costs

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Provisions for risks	27		27
Accruals to provisions for bad and doubtful receivables	1,328	1,183	145
Miscellaneous operating costs	3,512	3,316	196
Total	**4,867**	**4,499**	**368**

There has been an increase in the provisions for doubtful receivables compared with the previous year.

“Miscellaneous operating costs” at December 31, 2012 are in line with the figures from a year earlier. This item consists mainly of various taxes incurred by Group companies, membership subscriptions to various industrial associations and trade bodies, and various contingent liabilities.

7. Depreciation and amortization

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

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Amortization of intangible assets	629	777	(148)
Depreciation of tangible assets	25,650	26,719	(1,069)
Total	26,279	27,496	(1,217)

Both "Amortization of intangible assets" and "Depreciation of tangible assets" are in line with the figures at December 31, 2011.

8. Write-downs

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Write-downs	2,219	383	1,836
Total	2,219	383	1,836

Based on the value in use, determined through revised plans, or the fair value less costs to sell (current market value), determined through valuations by an independent expert, as at December 31, 2012 there was no need for impairment except at the Magenta mill, for which a write-down of €1.9 million was required on some plant and machinery. At The balance at December 31, 2012 also includes the write-down, equal to €0.3 million, for the loss in value suffered by the concessions granted in Germany in relation to unlimited water rights following the impairment test, in accordance with the provisions of IAS 36.

9. Net financial income (expense)

(thousands of Euros)	12.31.2012	12.31.2011 (*)	Change
Financial income	153	73	80
Interest and other financial income	135	73	62
Income from derivative financial instruments	18		18
Financial expense	(7,286)	(7,466)	180
Interest paid to banks	(3,362)	(4,823)	1,461
Losses on derivative financial instruments	(582)	(661)	79
Financial expense on defined-benefit plans	(1,049)	(1,101)	52
Expenses, commission and other financial charges	(2,293)	(881)	(1,412)
Foreign-Exchange Differences	98	452	(354)
Foreign-exchange gains	2,041	3,071	(1,030)
Foreign-exchange losses	(1,943)	(2,619)	676
Total	(7,035)	(6,941)	(94)

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

"Net financial expense" was in line with the previous year; this followed the reduction in interest rates offset by the expense from the greater use of credit factoring.

The item "Financial expense on defined-benefit plans" refers to the financial component of the provision for the year for the sole part of Interest costs. Note that following the early adoption of IAS 19, Actuarial Gains/Losses were accounted for in an equity reserve.

10. Gains (losses) from investments

Gains (losses) from investments relate mainly to the following:

- a loss of €0.6 million from valuing the investment in joint venture Careo S.r.l. at equity;
- a loss of €2.3 million from valuing the investment in joint venture Manucor S.p.A. at equity;

11. Taxes

	12.31.2012	12.31.2011(*)	Change
(thousands of Euros)			
Deferred taxes	2,207	6,492	(4,285)
Current taxes	(2,930)	(2,699)	(231)
Total	**(723)**	**3,793**	**(4,516)**

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

In 2011 the "IRES" (Italian corporate income tax) item under "Deferred taxes" included the recording of deferred tax assets pursuant to Legislative Decree no. 98 of July 6, 2011 (the so-called "2011 Emergency Budget"), amended and converted into Law no. 111 of July 15, 2011 pertaining to the Parent Company. While this legislation excludes time limits on the ability to carry forward previous tax losses, it does introduce a quantitative limit on their use (80%). More information can be found in Note 27.

Deferred taxes as at December 31, 2012, equal to €2.2 million essentially include the release of deferred taxes recorded pertaining to the subsidiary Arnsberg (€1.5 million) and the recording of deferred taxes (equal to €0.9 million) on the €3.1 million goodwill deriving from the sale of the Ovaro mill from Reno de Medici S.p.A. to R.D.M. Ovaro S.p.A. and allocated to the assets of the latter.

Reconciliation between the theoretical tax burden and the tax burden as per the Financial Statements (income taxes)

See below reconciliation between the theoretical tax burden and the tax burden as per the Financial Statements (income taxes).

For further details see Note 27 – Deferred taxation.

	Taxable income	%	31.12.2012
(thousands of Euros)			
Profit (loss) before taxation	(10.113)		
Theoretical tax charge		29,70%	
Temporary differences	4.727		
Permanent differences which will reverse in future years	2.031		
Permanent differences which will not reverse in future years	4.191		
Total difference	10.949		
Effective tax charge	836	29,70%	248

Reconciliation between the theoretical tax burden and the tax burden as per the Financial Statements (IRAP)

The impact of IRAP has not been taken into account to avoid any distorting effect, such tax being valid only for Italian companies and commensurate with a basis other than the result before taxes.

12. Discontinued operations

As at December 31, 2011, “Discontinued operations” referred to the updated estimate of payables to a number of employees following the 2008 closure of a production line in the mill of the French subsidiary.

13. Tangible fixed assets

Changes in tangible assets during 2011 and 2012 are as follows:

(thousands of Euros)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Historical cost	27,614	92,301	579,860	14,122	14,701	9,664	738,262
Accumulated depreciation/write-downs		(50,051)	(420,533)	(9,703)	(13,734)		(494,021)
Net book value at 12.31.10	**27,614**	**42,250**	**159,327**	**4,419**	**968**	**9,664**	**244,241**
Increases		1,830	18,163	175	29	2,682	22,879
Decreases		(50)	(1,250)		(10)		(1,310)
Reclassification of cost	(4,127)	4,960	20,337	(12,079)	(226)	(8,974)	(109)
Amortization for the year		(3,283)	(23,205)	(14)	(217)		(26,719)
Other changes (acc. depr.)		292	(8,118)	7,717	(188)		(297)
Decrease of acc. depr.			1,136		10		1,146
Value at 12.31.2011							
Historical cost	23,487	99,041	617,110	2,218	14,494	3,372	759,722
Accumulated depreciation/write-downs		(53,042)	(450,720)	(2,000)	(14,129)		(519,891)
Net book value at 12.31.11	**23,487**	**45,999**	**166,390**	**218**	**365**	**3,372**	**239,831**

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under development	Total
(thousands of Euros)							
Historical cost	23,487	99,041	617,110	2,218	14,494	3,372	759,722
Accumulated depreciation/write-downs		(53,042)	(450,720)	(2,000)	(14,129)		(519,891)
Net book value at 12.31.2011	23,487	45,999	166,390	218	365	3,372	239,831
Increases	336	225	13,078	49	24	3,363	17,075
Decreases		(7)	(1,682)		(329)		(2,018)
Reclassification of cost	5	49	576	(11)		(1,014)	(395)
Other			16				16
Amortization for the year		(3,260)	(22,185)	(56)	(149)		(25,650)
Other changes (acc. depr.)			(6)				(6)
Write-downs			(1,914)				(1,914)
Decrease of acc. depr.			1,661		329		1,990
Reclassification of fund		(322)	305	17			
Value at 12.31.2012							
Historical cost	23,828	99,308	629,098	2,256	14,189	5,721	774,400
Accumulated depreciation/write-downs		(56,624)	(472,859)	(2,039)	(13,949)		(545,471)
Net book value at 12.31.2012	23,828	42,684	156,239	217	240	5,721	228,929

"Land" includes the areas pertaining to the mills of the Parent Company, situated at Magenta (MI), Santa Giustina (BL), Ovaro (UD), Villa Santa Lucia (FR), and Marzabotto (BO), of the subsidiary Reno De Medici Iberica S.L. at Almazán, and of the German company Reno De Medici Arnsberg.

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

"Plant and machinery" relates to specific and general manufacturing plants and machinery. Information on the write-down can be found in Note 8.

In 2012, the RDM Group's capital expenditures totaled €17.1 million (€22.9 million in 2011).

The goal of these investments was to reduce variable costs, improve safety, and limit environmental impact. The main projects were:

- Villa Santa Lucia mill: a new technology project, that included the installation of a ‘curtain coater’, a piece of equipment that allows the reduction of the cost of the recycled fibers raw materials;
- Arnsberg (Germany) mill: upgrading of the steam turbine in order to increase energy efficiency and reduce fuel consumption and CO2 emissions.
- Santa Giustina mill: upgrading and modernization of the production line, with significant investments in the safety system in order to obtain OHSAS 18001 certification.
- Ovaro mill: upgrading and modernization of the facilities and machinery; specific projects aimed at reducing energy costs and increasing production capacity.

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

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

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

Rights (mortgages and privileges) totalling €318.1 million attached to owned property, plant and machinery are pledged in favor of banks as security on loans for which the outstanding balance at December 31, 2012 amounted to €44.1 million.

As at the reporting date, the company conducted impairment tests in accordance with IAS 36, adjusting some assets at the Magenta mill to fair value less costs to sell, resulting in a write-down of €1.9 million.

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

14. Goodwill

Goodwill consists of the goodwill paid on acquiring Barneda Carton S.A., which was transferred to RDM Iberica in 2006 following the purchase of the business unit. More information on impairment tests can be found in the section “Impairment Tests”.

15. Intangible Assets

Changes in intangible assets during 2011 and 2012 are as follows:

	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total intangible assets with a finite useful life	Intangible assets with an indefinite useful life
(thousands of Euros)					
Net book value at 12.31.2010	1,672	142	203	2,017	3,973
Increases	263	427	133	823	
Decreases		(15)		(15)	
Reclassification of cost		428		428	
Write-down/Revaluation cost					(383)
Amortization for the year	(517)	(260)		(777)	
Net book value at 12.31.2011	1,418	722	336	2,476	3,590

	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total intangible assets with a finite useful life	Intangible assets with an indefinite useful life
(thousands of Euros)					
Net book value at 12.31.2011	1,418	722	336	2,476	3,590
Increases	507	33	220	760	
Decreases		(32)		(32)	
Reclassification of cost	43	5	347	395	
Write-down/Revaluation cost					(297)
Amortization for the year	(519)	(110)		(629)	
Net book value at 12.31.2012	1,449	618	903	2,970	3,293

"Intangible assets with an indefinite useful life" refer to the valuation of concessions granted in Germany in relation to unlimited water rights.

The impairment test conducted by the Group at the reporting date, in accordance with IAS 36, showed impairment of €297 thousand.

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

16. Equity investments

	Financial statements value 12.31.2011	Investments	Elimination of dividends	Reversals of impairment/write-downs	Financial statements value 12.31.2012
(thousands of Euros)					
Associates					
Pac Service S.p.A.	1,460		(173)		1,287
Joint ventures					
Careo S.r.l.	579			(579)	
Manucor S.p.A.	3,741			(2,300)	1,441
ZAR S.r.l.	30				30
Carta Service Friuliana S.r.l.		30			30
Total	5,810	30	(173)	(2,879)	2,788

Write-downs and revaluations relate to the adjustment of the carrying amount of the investments in Manucor S.p.A. and Careo S.r.l. (which are defined as joint ventures on the basis of the terms of corporate governance included in their bylaws), to the Group's share of their equity.

Note that following the valuation at equity, in the light of the stake held in Careo S.r.l., provisions for losses on investments of an amount equal to €59 thousand were recorded under liabilities.

The table below shows the key figures on the statement of financial position and the income statement of the major joint ventures, measured in accordance with IFRS.

	Careo [1]		Manucor	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
(thousands of Euros)				
Non-current assets	850	997	81,618	86,234
Current assets	10,425	13,388	43,269	53,374
Total assets	**12,275**	**14,385**	**124,887**	**139,608**
Shareholders' equity	(173)	810	6,332	16,440
Non-current liabilities	2,828	2,902	24,581	29,532
Current liabilities	8,620	10,673	93,974	93,636
Total liabilities	**12,275**	**14,385**	**124,887**	**139,608**
Revenues	12,932	15,101	156,861	154,501
EBITDA	(594)	928	(453)	5,671
EBIT	(649)	871	(10,145)	(4,211)
Profit (loss) for the year	(934)	353	(9,864)	(4,627)

[1] Figures refer to the sub-consolidated information prepared for the Reno De Medici Group's consolidated financial statements

Note that in 2012 Manucor S.p.A. did not comply with the contractual constraints originally set out in the finance agreement and, specifically, it did not repay the instalments due in the year for a total of €4 million.

Manucor S.p.A. asked the lending bank for a period of grace for repaying the shares of this loan, both for the capital portion and for the interest portion, until January 31, 2014. This request is being evaluated by the lending bank which has not yet taken any action against the company.

On December 13, 2012, the Extraordinary Shareholders' Meeting of Manucor S.p.A., called pursuant to Article 2446 of the Italian Civil Code, resolved to defer the adoption of the appropriate measures within the terms provided by law.

17. Deferred tax assets

The item "Deferred tax assets" included under non-current assets relates to temporary deductible differences is the subsidiaries Cartiera Alto Milanese S.p.A., Emmaus Pack S.r.l. and R.D.M. Ovaro S.p.A.. The difference compared with December 31, 2011, equal to €0.9 million, is mainly due to the tax asset recorded under goodwill, equal to €3.1 million, resulting from the sale of the Ovaro plant by Reno De Medici S.p.A. to R.D.M. Ovaro S.p.A. and has been allocated under the assets of the latter.

18. Available-for-sale financial assets

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Available-for-sale financial assets	191	195	(4)
Available-for-sale financial assets	**191**	**195**	**(4)**

The non-current portion of "Available-for-sale financial assets" consists mainly of the €0.1 million investment in Cartonnerie Tunisienne S.A. and of other minor investments in syndicates.

As their fair value cannot be reliably measured, these investments are accounted for at cost, adjusted for any impairment.

19. Trade Receivables and Receivables from Associates and Joint Ventures

The table below shows a breakdown of current and non-current trade receivables totaling €86.4 million.

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Trade receivables	41	82	(41)
Non-current trade receivables	**41**	**82**	**(41)**
Trade receivables	85,377	92,289	(6,912)
Receivables from associates and joint ventures	966	1,547	(581)
Current trade receivables	**86,343**	**93,836**	**(7,493)**

The decrease of around €7.5 million is due both to the effect of the non-recourse factoring program, under which trade receivables amounting to around €24.1 million (€14.4 million at

December 31, 2011) have been sold, and to the year-on-year increase in turnover in the fourth quarter of 2012 compared with the same period in the previous year.

The current portion of trade receivables is stated net of €5.7 million of provisions for bad and doubtful receivables. The table below sets out the changes for the year in those provisions:

(thousands of Euros)	12.31.2011	Provisions	Drawings	12.31.2012
Provisions for bad and doubtful receivables	5,329	1,328	(948)	5,709
Total	**5,329**	**1,328**	**(948)**	**5,709**

Moreover, the current portion of trade receivables includes €0.6 million of receivables from related parties (against €0.9 million at December 31, 2011). More information can be found in Note 34.

"Receivables from associates and joint ventures" consist mainly of Parent Company Reno De Medici S.p.A.'s commercial relations with joint ventures Careo S.r.l. and Carta ServiceFriulana S.r.l. and also includes relations, of a commercial nature, of the French subsidiary RDM Blendecques S.a.s. with Careo S.a.s. More information can be found in Note 34.

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

(thousands of Euros)	12.31.2012	12.31.2011
Italy	54,743	51,490
EU	22,153	33,895
Rest of the World	9,447	8,451
Total	**86,343**	**93,836**

20. Other Receivables and Other Receivables from Associates and Joint Ventures

Other non-current receivables (thousands of Euros)	12.31.2012	12.31.2011	Change
Guarantee deposits	466	131	335
Other receivables	227	197	30
Total	**693**	**328**	**365**

The item "Guarantee deposits" recorded an increase of €0.3 million essentially attributable to deposits in favour of a factoring company in accordance with the provisions of agreements signed by the Parent Company RDM S.p.A. and by the subsidiary RDM Blendecques SAS.

Other current receivables	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Tax receivables	1,792	2,914	(1,122)
Prepaid expenses and accrued income	415	224	191
Miscellaneous receivables	4,183	2,254	1,929
Total	6,390	5,392	998
Other receivables from associates and joint ventures	90	1,192	(1,102)
Total	6,480	6,584	(104)

The current portion of "Tax receivables" relates mainly to tax credits. The reduction in this item essentially relates to the repayment in 2012 of the withholding-tax credit in Germany.

The item "Miscellaneous receivables" at December 31, 2012 essentially includes the receivable of €1 million from an insurance company following the payment for damage suffered from the Arnsberg plant turbine, the recording of guarantee deposits for €1.1 million, which will be returned within the year, in favour of a factoring company in accordance with the provisions of agreements signed by the Parent Company RDM S.p.A. and by the subsidiary RDM Blendecques and the receivable of a financial nature, equal to €0.4 million, from a factoring company following the sale of loans without recourse.

The item "Other receivables from associates and joint ventures" refers to relations of a financial nature with Zar S.r.l.

21. Inventories

The table below provides a breakdown of inventories at December 31, 2012 and December 31, 2011:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Raw and ancillary materials and consumables	38,626	42,271	(3,645)
Provisions for obsolescence	(2,473)	(2,805)	332
Finished goods and goods for resale	42,823	38,536	4,287
Provisions for obsolescence	(47)	(20)	(27)
Total	78,929	77,982	947

Provisions for obsolescence of raw and ancillary materials and consumables relate mainly to the French mill at Blendecques.

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

22. Net Financial Position

(thousands of Euros)	12.31.2012	12.31.2011	Change
Cash	40	34	6
Funds available from banks	3,097	2,530	567
A. Cash and cash equivalents	3,137	2,564	573
Other receivables from associates and joint ventures	90	1,192	(1,102)
Other receivables	355		355
B. Current financial receivables	445	1,192	(747)
1. Current payables to banks	*36,029*	*29,557*	*6,472*
2. Current portion of medium- and long-term loans	*12,724*	*12,879*	*(155)*
3. Other current financial liabilities	*522*	*328*	*194*
Payables to banks and other lenders (1+2+3)	49,275	42,764	6,511
Other payables to associates and joint ventures	2,120		2,120
Derivatives - current financial liabilities	637	601	36
C. Current financial debt	52,032	43,365	8,667
D. Net current financial debt (C - A - B)	48,450	39,609	8,841
Payables to banks and other lenders	37,042	45,934	(8,892)
Derivatives - non-current financial liabilities	765	1,022	(257)
E. Non-current financial debt	37,807	46,956	(9,149)
F. Net financial debt (D+E)	86,257	86,565	(308)

Net financial debt of €86.3 million as at December 31, 2012, remained in line with the previous year (€86.6 million as at December 31, 2011).

The decrease in working capital, due to the greater recourse to credit factoring, did not translate into an equal reduction in debt as a result of financial expenses and tax burdens.

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

	within 12 months	over 12 months	over 60 months	total
(thousands of Euros)				
M.I.C.A. - due February 13, 2017		625		625
M.I.C.A. - due October 16, 2014		154		154
San Paolo Imi - due April 6, 2016	3,276	8,190		11,466
San Paolo Imi fin.pool - tranche A - due 4/6/2016	6,280	15,701		21,981
San Paolo Imi fin.pool - tranche B - due 4/6/2016	2,000	5,000		7,000
Banca Pop.Emilia Romagna - due 5/15/2016	620	1,550		2,170
DRESDNER BANK – due December 2015	714	1,429		2,143
M.I.T.C. - due October 1, 2025		24	214	238
Leasing Caterpillar - due April 25, 2016	13	34		47
Caja Duero - due April 21, 2019	116	529	202	847
FRIE 1		1,450		1,450
Friulia (Ovaro Transaction)		2,570		2,570
Total nominal debt	**13,019**	**37,256**	**416**	**50,691**
Amortized cost effect	(295)	(630)		(925)
Total debt using amortized cost method	**12,724**	**36,626**	**416**	**49,766**

RDM is bound by certain restrictions and commitments with thresholds for the syndicated loan that are normal for loans of this nature; amongst these are limitations on obtaining additional debt, on distributing dividends, on granting guarantees (a negative pledge), on disposing of core assets, on making investments and on carrying out extraordinary financial transactions.

In particular, this loan requires 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.

These ratios are calculated every six months on the basis of the figures stated in the Group's consolidated annual and half-year financial statements, starting from December 31, 2006.

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 agreement.

During 2012, there were principal repayments of €13.3 million, and loans were disbursed in the amount of €4.1 million.

In terms of guarantees, the Parent Company loan agreement requires, inter alia, RDM to provide mortgages on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia mills, in the total amount of €120 million. These guarantees relate to the syndicated loan.

Special liens on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia mills' plant and machinery are given as guarantees, in the total amount of €120 million. These guarantees relate to the syndicated loan.

In October 2009, the negotiations with Intesa Sanpaolo and UniCredit for the rescheduling of the loans originally arranged in 2006 were formally concluded with the signing of an Amending Agreement.

The two loans originally totaled €74.7 million, which was fully disbursed; following repayments there was an outstanding balance of €40.4 million at December 31. 2012.

Among other things, the new terms provide for a reformulation of debt servicing, with two years of grace being given for the repayment of the principal, depending on the investments made by the Reno De Medici Group. Repayment will be made in equal instalments, with the final due date remaining as 2016.

Such terms have made it possible to comply with the financial commitments relating to RDM's investment plans from 2009 to 2011 exceeding routine levels (totaling about €15 million), and are necessary for the further optimization of production activities. They have made it possible to optimize the division of RDM's financial debt between short- and medium-to-long-term sources.

The Amending Agreement provides in addition for changes to the contractual covenants, which are now based on revised parameters, and the postponement of the call options available to Reno De Medici (from 2010 to 2012) and the put options available to Cascades S.A.S. (from 2011 to 2013) in accordance with the Combination Agreement signed in 2007 by the parties for the purchase by Reno De Medici of two mills located in France and Sweden currently owned by Cascades S.A.S. and dedicated to the production of cartonboard from virgin fibers, as well as the means by which these options may be exercised.

The exercise value of these options is conditioned by a specific non-financial variable of the above activities.

A variable-rate loan agreement was concluded with Banca Popolare dell'Emilia Romagna on April 13, 2006 in the amount of €6.2 million. The loan falls due on May 15, 2016 and is repayable in half-yearly instalments. In addition, a variable-rate loan agreement was concluded with Banca Sanpaolo Imi on December 31, 2006 in the amount of €14.7 million. The loan has been disbursed in full and falls due on April 6, 2016. The above loans also entailed, respectively, the granting of mortgages on the mills located at Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia in the total amount of €40.6 million, and of special liens and mortgages on the plant and machinery installed at the mills in Magenta, Santa Giustina and Villa Santa Lucia in the amount of €29.5 million, as at December 31, 2012.

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

During 2008, subsidiary Reno De Medici Arnsberg GmbH entered into a €5 million loan agreement that requires, among other things, compliance with certain financial parameters to be verified semi-annually, a change of control clause, and the obligation to inform the bank if new loans are taken out.

The Parent Company and the German subsidiary were both in compliance with the above financial covenants as at December 31, 2012.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2012. More information on the derivative instruments outstanding as at December 31, 2012 can be found in Note 24.

23. Non-Current Assets Held for Sale

The balance at December 31, 2012 relates to the plant and machinery of the Marzabotto mill for which the sale agreement was signed at the end of 2011. The disposal of this plant and machinery was completed in 2012.

24. Shareholders' Equity

Changes in shareholders' equity during 2012 are set out in the following table:

		Changes in the year						
Description	Shareholders' equity at 12.31.2011 (*)	Allocation of profit (loss) for the year	Profit (loss) on translation of financial statements of foreign investee companies	Actuarial gain (loss)	Hedge accounting	Other changes	Profit (loss) for the year	Shareholders' equity at 12.31.2012
(thousands of Euros)								
Share capital	185,122							185,122
Share premium account								
Legal reserve	208	200						408
Other reserves:								
- Extraordinary reserve	1,150							1,150
- Foreign-currency translation reserve	(150)		54					(96)
Hedging reserve	(704)				141			(563)
Actuarial gain (loss)	(613)			(4,263)				(4,876)
Retained profits (losses)	(29,926)	(2,712)				(11)		(32,649)
Profit (loss) for the year	(2,512)	2,512					(12,334)	(12,334)
Treasury Shares								
Total	152,575		54	(4,263)	141	(11)	(12,334)	136,162

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

The Shareholders' Meeting of April 27, 2012 resolved to allocate the Parent Company's 2011 profit of €4,003,891 as follows:

a) €200,194 to the legal reserve pursuant to article 2430 of the Italian Civil Code;

b) €3,803,697 to cover past losses.

Note that following the early adoption of IAS 19, Actuarial Gains/Losses were accounted for in an equity reserve. As a result, the amount relating to 2011 (€613 thousand) was reclassified from the profit and loss for the year to the equity reserve.

In accordance with article 5 of the Company's bylaws, holders of savings shares may convert such shares to ordinary shares in February and September each year. In 2012, 2,574 savings shares were converted to ordinary shares. As a result of this, the share capital at December 31, 2012, fully subscribed and paid-up, could be broken down as follows:

	Number	Unit par value	Total value
Ordinary shares	377,473,987	€0.49	184,962,253.63
Savings shares	327,007	€0.49	160,233.43
Total	377,800,994		185,122,487.06

On February 1-28, 2013, 4,370 savings shares were converted to ordinary shares with dividend entitlement as of January 1, 2012.

The table below shows the number of outstanding shares as at December 31, 2012 and December 31, 2011:

	12.31.2012	12.31.2011	Change
Shares issued	377,800,884	377,800,884	
Total shares outstanding	377,800,884	377,800,884	

RDM's bylaws state that if during any one financial year savings shareholders are awarded a dividend which is less than 5% of the nominal value of the shares (€0.49), then the difference is added to the preferred dividend in the subsequent two years. No dividends were awarded in 2011 and 2012.

Minority interests of €0.6 million (€0.7 million at December 31, 2010) relate to the minority interest in subsidiary Emmaus Pack S.r.l.

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

	12.31.2012			12.31.2011 (*)		
	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
(thousands of Euros)						
Change in fair value of cash flow hedges	*194*	*(53)*	*141*	*138*	*(38)*	*100*
Change in fair value of assets available for sale						
Actuarial gain (loss)	*(5,350)*	*1,069*	*(4,281)*	*(842)*	*229*	*(613)*
Profit (loss) on translation of financial statements of foreign investee companies	*54*		*54*	*35*		*35*

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Group's early adoption of IAS 19.

25. Derivative instruments

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2012.

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Non-current liabilities	765	1,022	(257)
Derivative financial instruments (hedge accounting)	622	871	(249)
Derivative financial instruments (no hedge accounting)	143	151	(81)
Current liabilities	637	601	36
Derivative financial instruments (hedge accounting)	503	430	73
Derivative financial instruments (no hedge accounting)	134	171	(37)

As at December 31, 2012, the derivative financial instruments represented by interest rate swaps had a fair value of -€1,402 thousand.

The table below shows the main features of the derivative financial instruments outstanding as at December 31, 2012.

Company	Counter-party	Currency	Due	Notional value (€/000)	Interest	Payment of interest	Derivative fair value (€/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	04.06.2016	10,500	4.11% fixed	Half-yearly	(750)
					Euribor 6m		
Reno De Medici S.p.A.	Unicredit Banca d'impresa S.p.A.	Eur	04.06.2016	5,250	4.11% fixed	Half-yearly	(375)
					Euribor 6m		
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	05.15.2016	2,170	4.15% fixed	Half-yearly	(158)
					Euribor 6m		
Reno De Medici Arnsberg GmbH	Dresner Bank AG	Eur	12.31.2015	2,143	3.59% fixed	Half-yearly	(119)
					Euribor 6m		
				20,063			(1.402)

26. Other Payables and Other Payables to Associates and Joint Ventures

The table below shows a breakdown of other payables:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Deferred income	286	339	(53)
Miscellaneous payables	1,204	1,204	
Other non-current payables	1,490	1,543	(53)
Payables to personnel	4,364	4,162	202
Payables to social security authorities	3,715	3,168	547
Tax payables	2,938	6,310	(3,372)
Miscellaneous payables	639	902	(263)
Company bodies	1,307	1,181	126
Accrued expenses and deferred income	140	176	(36)
Other current payables	13,103	15,899	(2,796)
Other payables to associates and joint ventures	2,120		2,120
Total other payables	15,223	15,899	(676)

The non-current portion of “Deferred income” relates to a grant under Law no. 488 for the Villa Santa Lucia mill; the portion of the grant that will exceed five years amounts to €0.1 million.

The non-current portion of “Miscellaneous payables” includes the €1.2 million payment from Cascades S.A.S. for the virgin-fiber client list. This payment, as defined in the Combination Agreements entered into with the Cascades Group, has not been recorded as income since RDM retains “continuing managerial involvement”, as defined by IAS 18, because of the put and call options in place on the virgin-fiber cartonboard production assets of Cascades S.A.S.

The item “Payables to personnel” mainly includes payables for deferred compensation.

“Payables to social security authorities” relate mainly to social security contributions due on current wages and salaries acknowledged to employees in December 2011 and paid in January 2012, and to provisions for social security contributions due on deferred compensation (employee leave, additional months’ salaries paid as a bonus, and overtime).

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

The decrease in this item is due to the VAT position of the Parent Company Reno De Medici S.p.A. which, at December 31 had a VAT position in credit and to the reduction in the amount payable to the German tax authorities for withholdings at source, recorded at December 31, 2012 and paid in March 2012.

The item”Other payables to associates and joint ventures” at December 31, 2012, includes relations of a financial nature between Reno De Medici S.p.a. and Careo S.r.l for an amount equal to €2.1 million.

27. Deferred taxes

The table below provides a summary of the calculation of deferred tax assets and deferred tax liabilities from temporary differences as at December 31, 2012.

	2012			2011		
	Temporary differences	Average tax rate %	Tax effect	Temporary differences	Average tax rate %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	42,362		11,227	35,114		9,110
Tax losses to carry forward	23,136	27.50%	6,362	19,924	27.50%	5,479
Write-downs for extended impairment	1,820	3.90%	71	1,820	3.90%	71
Inventory write-downs	626	3.90%	24	322	3.90%	13
Provisions for future charges (IRAP)	209	3.90%	8	410	3.90%	16
Provisions for future charges (IRES)	237	27.50%	65	304	27.63%	84
Other temporary differences (IRES)	4,244	29.0%	1,231	2,686	27.51%	739
Other temporary differences (IRAP)	204	3.90%	8	185	3.78%	7
Discounting of employee benefits	5,395	31.80%	1,716	2,538	31.21%	792
Valuation of derivatives with hedge accounting	895	28.10%	251	970	27.53%	267
Non-deductible interest expense	2,563	27.50%	705	5,818	27.50%	1,600
Deferred tax assets consolidation entries	3,033	27.50%	834	137	31.39%	43
Recognized deferred tax liabilities	80,010		25,451	86,430		27,110
Depreciation in excess of capital allowance	22,928	31.40%	7,197	24,041	31.40%	7,549
Other income tax temporary differences	49	27.50%	13	2,708	31.13%	843
Discounting of TFR	3,212	27.50%	883	3,212	27.49%	883
Capital gains payment in instalments	948	27.50%	261			
Deferred tax liabilities consolidation entries	52,873	32.30%	17,097	56,469	31.58%	17,834
Net recognized deferred tax (assets) liabilities			14,175			18,000
- of which deferred tax liabilities			*15,487*			*18,399*
- (of which deferred tax assets)			*(1,312)*			*(399)*
Unrecognized deferred tax assets	154,982		46,549	154,733		46,218
Write-downs for extended impairment	2,211	27.50%	608	3,582	27.50%	985
Inventory write-downs	626	27.50%	172	322	27.50%	89
Bad and doubtful receivables	1,509	28.0%	422	1,854	28.10%	521
Provisions for risks and charges	3,508	27.70%	973	7,140	27.83%	1,987
Non-deductible interest expense	3,619	27.50%	995	553	27.50%	152
Other temporary differences				101	33.66%	34
Discounting of employee benefits	434	33.30%	145			
Tax losses to carry forward	136,196	30.10%	41,044	138,619	30.02%	41,614
Tax loss for the year	1,887	27.90%	526	2,562	32.59%	835
Deferred tax assets consolidation entries	4,992	33.30%	1,664			
Unrecognized deferred tax assets			46,549			46,218

As at December 31, 2012, deferred tax liabilities were offset by deferred tax assets where conditions specified in IAS 12 were met, notably where the two items relate to income taxes levied by the same tax authority and where there is a legally enforceable right to offset in this manner.

Deferred tax assets are recognized where it is probable that the Company will have taxable income in the future, including the deferral of taxable temporary differences to future years, that will allow the utilization of deductible temporary differences or tax losses carried forward. Deferred tax assets have been recognized on the portion of previous tax losses and interest expense not deducted in previous years for the share deemed to be recoverable from future taxable income identified in the Company's business plans. This is possible because Legislative Decree no. 98 of July 6, 2011 (the so-called "2011 Emergency Budget") allows tax losses to be carried forward for an unlimited time.

The table below shows a breakdown of the Group's tax losses in the total amount of €161.1 million:

	2012
(thousands of Euros)	
Reno De Medici S.p.A.	42,092
RDM Iberica S.L.	86,360
RDM Blendecques S.A.S.	23,788
Reno De Medici UK Limited	8,870
Total tax losses	**161,110**

28. Employee benefits

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

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Employee benefits	13,879	10,640	3,239
Employee benefits - TFR	15,302	13,723	1,579
Non-current employee benefits	**29,181**	**24,363**	**4,818**
Employee benefits - TFR	25	264	(239)
Current employee benefits	**25**	**264**	**(239)**
Total	**29,206**	**24,627**	**4,579**

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

The increase in the item non-current “Employee benefits” is essentially due to the reduction in the annual discounting rate used for determining the current value of this obligation.

The economic and financial assumptions used were as follows:

	Italy	Germany	France
Annual discount rate	2.05%	3%	2.75%
Annual inflation rate	2%	2%	2%
Annual rate of increase in total compensation	3%	1.75%	2.25%

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

	Employee benefits	Total
(thousands of Euros)		
Actuarial evaluation of “Employee benefits” at 12.31.2011	**24,363**	**24,363**
Service cost	318	318
Interest cost	1,049	1,049
Benefits paid	(1,909)	(1,909)
Other changes	10	10
Actuarial gains/losses	5,350	5,350
Actuarial evaluation of “Employee benefits” at 12.31.2012	**29,181**	**29,181**

Sensitivity analysis of the discount rate

The following table shows the balance that the item “Employee Benefits” would have as of December 31, 2012 in the event of a change to the discount rate shown at the reporting date.

Thousands of Euros	Italy		Germany		France	
Increase of discount rate	+25%	12,263	+1%	11,103	+0.25%	2,707
Non-current employee benefits as of December 31, 2012	2.05%	12.494	3.00%	13,879	2.75%	2,773
Reduction of discount rate	-25%	12,732	-1%	16,655	-0.25%	2,842

Management Phantom Stock Plan for 2011, 2012 and 2013

In April 2011, the Ordinary Shareholders’ Meeting approved an incentive plan for management based on financial instruments, pursuant to article 114 *bis* of Legislative Decree no. 58/59.

The main features of the plan are described below.

The plan aims to structure the variable part of the remuneration of Executive Directors and other key managers.

Under the terms of the plan, the beneficiaries variously receive a total of 8,265,000 phantom performance shares, and an additional 2,393,000 phantom performance shares are set aside to allocate to any new beneficiaries identified in accordance with the rules of the plan.

The plan states that the beneficiaries will receive a cash bonus if the return on invested capital and certain financial ratios meet specific targets as at December 31 of 2011, 2012 and 2013. Where the targets are met in one and/or two years and/or the targets are met only in part in one and/or two and/or three years, the number of applicable phantom shares will be calculated by dividing the total number of shares awarded by the number of years of the plan.

In light of the year's results and the worsening macroeconomic climate, the 2012 financial statements do not contain any new provisions for the 2011-2013 plan compared with when the plan was approved.

29. Non-current provisions for risks and charges

The balance at December 31, 2012 was as follows:

	12.31.2011	Other changes	Provisions	Drawings	12.31.2012
(thousands of Euros)					
Provisions for supplementary agents' commission	152		36		188
Provisions for future charges	6,309	3	918	(1,677)	5,553
Provisions for losses on investments	255		59	(255)	59
Total	6,716	3	1,013	(1,932)	5,800

"Provisions for supplementary agents' commission" represents the calculation of liabilities based on actuarial techniques.

With reference to "Provisions for future charges", the drawings for the period, equal to €1.7 million, are mainly attributable to the provision for redundancy costs, and to the settlement of a number of disputes.

The provision for the year, equal to €0.9 million, refers mainly to the costs deriving from redundancy procedures and to provisions needed to cover costs of future staff layoffs.

The use of "Provisions for losses on investments" is related to the covering of losses, following the reversal of the liquidation, of Reno Logistica S.r.l. in liquidation (now R.D.M. Ovaro S.p.A.) and RDM Tissue Core S.r.l. in liquidation (now Carta Service Friulana S.r.l.).

The balance at December 31, 2012, equal to €59 thousand, refers to the provision recognised for the equity investment in Careo S.r.l. following the valuation at equity.

30. Trade Payables and Payables to Associates and Joint Ventures

The balance at December 31, 2012 was as follows:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Trade payables	116,368	116,813	(445)
Payables to associates and joint ventures	7,030	7,066	(36)
Total	**123,398**	**123,879**	**(481)**

"Trade payables", recorded in the financial statements, were €116.4 million (€116.8 million at December 31, 2011) and are all due in less than 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparty.

"Payables to associates and joint ventures", amounting to €7.0 million (€7.1 million at December 31, 2011), relate mainly to trade payables to Careo S.r.l.

31. Current taxes

At December 31, 2012 this item consists of the amount payable to the authorities for current taxes incurred during the year.

32. Non-Recurring Transactions

Significant Non-Recurring Events and Transactions

The effects of non-recurring transactions, as defined by Consob Communication no. DEM/6064293, are shown in the income statement.

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

Positions Deriving from Abnormal and/or Unusual Transactions

In 2012, the Group did not carry out any abnormal and/or unusual transactions as these terms are defined by the above-mentioned Consob Communication no. DEM/6064293. Abnormal and/or unusual transactions are transactions which for their size, their importance, their subject, their timing, the nature of their counterparties, or the means of determining their price may give rise to doubt over:

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

33. Contingent Liabilities and Commitments and Other Guarantees Given to Third Parties

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

Commitments and guarantees given to third parties include:

- sureties of €3.1 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- a surety of €421 thousand issued in favor of the Region of Lazio regarding the landfill site at the Villa Santa Lucia mill;
- sureties of €1.3 million issued to the Comieco consortium;
- sureties of €69 thousand issued in favor of the customs authorities;
- a surety of €90 thousand issued in favor of the Region of Lombardy;
- a surety of €108 thousand issued in connection with property leases;
- a surety of €750 thousand issued in favor of Valli S.p.A.;
- a surety of €120 thousand issued in favor of Stogit S.p.A.;
- sureties of €228 thousand issued in favor of Terna S.p.A.;
- a surety of €150 thousand issued in favor of the the Revenue Agency for Carta Service Friulana S.r.l.;
- a surety of €368 thousand issued in favor of “GSE”;
- a surety of €1.2 million issued in favor of Andritz.

As part of their business combination, Reno De Medici S.p.A. and Cascades S.A.S. have retained, respectively, a call option exercisable in 2012 and a put option exercisable in 2013 on the European virgin-fiber cartonboard production operations of Cascades S.A.S., presently located at the La Rochette mill in France and the Djupafors mill in Sweden.

On August 2, 2012, the Board of Directors of the Parent Company Reno De Medici S.p.A., with the favourable opinion of the Committee for Related Parties and reconfirming the interest for the acquisition of “virgin assets”, resolved not to exercise the call option relating to the purchase of two plants owned by Cascades s.a.s. (hereinafter “Cascades”).

The strike price of the put options exercisable in 2013 can exercise it within 120 days from delivering the Virgin Assets Financial data for the year ended December 31, 2012 to Reno De Medici S.p.A. Cascades also has the right to request that the entire option price be paid in newly issued shares of Reno De Medici S.p.A., is conditioned by a specific non-financial variable of the above-mentioned operations, and the information required to proceed with a valuation is not currently available.

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

Furthermore, with reference to the equity investment in Manucor, relations between the shareholders are governed by a series of agreements which provide for, among other things:

- a lock-up period ending May 31, 2013;
- where the shareholders accept an offer from a third party for the purchase of 100% of the company’s share capital (including during the lock-up period), a drag-along obligation;
- at the end of the lock-up period, a drag-along right for shareholders if only one of them indicates a willingness to sell its shares in the company to third parties;
- after three years from the date the agreement was signed, and at its own initiative, the right for Intesa Sanpaolo to set in motion a contractually established procedure for the sale of its holding to Reno De Medici, and, in such an event, for the other shareholders to express their own intent to sell their holdings to Reno De Medici. Reno De Medici shall not be under any obligation to purchase such holdings. Should the parties fail to reach an agreement, Intesa Sanpaolo shall be entitled to seek offers for its holding and for the holdings of the other shareholders on the open market, at terms and conditions that protect the investments made. In such an event, all shareholders shall be obliged to sell their shares;
- after four years from the date the agreement was signed, the possibility (by way of a call option) for Reno De Medici to purchase all the holdings of the other shareholders at their market value as at the exercise date.

34. Related-Party Transactions

On June 22, 2012, with the favorable opinion of the Committee for Related Parties, Reno De Medici S.p.A. sold the business unit comprising the Ovaro plant to the subsidiary R.D.M. Ovaro S.p.A.

For details of the transaction, refer to the paragraph "Main transactions of the Reno De Medici Group in 2012" in the Directors' Report.

- Transactions with Subsidiaries, Associates and Joint Ventures

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

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

- sales promotion and marketing services with Careo S.r.l. (Careo);
- sales of cartonboard to Cartiera Alto Milanese S.p.A. (CAM), Emmaus Pack S.r.l. (Emmaus), R.D.M. Ovaro S.p.A., RDM Iberica S.L. and Reno De Medici UK Ltd;
- provision of general services to Careo, Emmaus, CAM, R.D.M. Ovaro S.p.A., RDM Iberica S.l., RDM Blendecques S.A.S., Reno de Medici UK Ltd and Reno De Medici Arnsberg Gmbh;
- purchases of offcuts from Emmaus;
- interest income or expense on cash-pooling and loan agreements with Careo, CAM, Emmaus, RDM Iberica S.L., RDM Blendecques S.A.S., Reno De Medici UK Ltd, Reno De Medici Arnsberg GmbH and R.D.M. Ovaro S.p.A.;
- sales of cartonboard to Pac Service S.p.A.
- purchase of waste paper from ZAR S.r.l.;
- the fiscal consolidation agreement under which Reno De Medici S.p.A. is the consolidating company vis-à-vis CAM, Emmaus, R.D.M. Ovaro S.p.A and Careo.

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

- Other Related Parties

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

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

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

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

Related-party transactions include:

- commercial relations with Pac Service S.p.A., a company of which RDM owns 33%, in connection with sales of cartonboard. Sales made in 2012 totaled €3,337 thousand, while trade payables at December 31, 2012 amounted to €138 thousand. During the year, RDM sold the trade receivables of Pac Service S.p.A. under a new non-recourse factoring program. More information can be found in the "Notes" for this Report;
- commercial relations with ZAR s.r.l., a company of which RDM owns 33.33%, in connection with purchase of waste paper. Purchases made in 2012 totaled €4,043 thousand, while trade payables at December 31, 2012 amounted to €131 thousand;
- as part of the business combination with the Cascades Group, RDM sold its virgin-fiber cartonboard client list to Cascades S.A.S. for €1.2 million.

As part of their business combination, Reno De Medici S.p.A. and Cascades S.A.S. have retained, respectively, a call option exercisable in 2012 and a put option exercisable in 2013 on the European virgin-fiber cartonboard production operations of Cascades S.A.S., presently located at the La Rochette mill in France and the Djupafors mill in Sweden.

On August 2, 2012, the Board of Directors of the Parent Company Reno De Medici S.p.A., with the favourable opinion of the Committee for Related Parties and reconfirming the interest for the acquisition of "virgin assets", resolved not to exercise the call option relating to the purchase of two plants owned by Cascades s.a.s. (hereinafter "Cascades").

With regard to the put option which can be exercised in 2013, the exercise value is conditioned by a specific non-financial variable of the above-mentioned operations, and the information required to proceed with a valuation is not currently available.

Breakdown of Related-Party Transactions

The additional disclosures on related-party transactions, as required by Consob Communication no. 6064293 of July 28, 2006, are provided below.

	2012		2011	
	Directors	Statutory auditors	Directors	Statutory auditors
(thousands of Euros)				
Short-term benefits (*)	1,155	166	1,145	160
Post-employment benefits	16		16	
Other long-term benefits				
Severance pay				
Notional income from stock option plans				
Total	**1,171**	**166**	**1,161**	**160**

Compensation not yet paid to Directors and Statutory Auditors as at December 31, 2012 amounted to €770 thousand and €166 thousand respectively.

Receivables and Payables with Related Parties

The table below provides a breakdown of receivables and payables with related parties as at December 31, 2012 and at December 31, 2011:

	Current assets			Current liabilities			Non-current liabilities
December 31, 2012	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	Other payables
(thousands of Euros)							
Careo Ltd		73					
Careo S.A.S.		243			66		
Careo Spain S.L.					177		
Careo S.r.l.		523			6,517	2,120	
Cascades Asia Ltd	441						
Cascades Canada Inc.				12			
Cascades Djupafors A.B.	90			381			
Cascades S.A.	90			1,542			1,204
Cascades Groupe Produits				1			
Pac Service S.p.A.					138		
Carta Service Friulana SRL		127					
ZAR SRL			90		132		
Total	621	966	90	1,936	7,030	2,120	1,204
Share of item total	0.7%	100%	100%	1.7%	100%	100%	80.8%

December 31, 2011	Current assets Trade receivables	Receivables from associates and joint ventures	Other receivables from associates and joint ventures	Current liabilities Trade payables	Payables to associates and joint ventures	Non-current liabilities Other payables
(thousands of Euros)						
Careo Ltd.		28				
Careo S.a.s		83			230	
Careo Spain S.L.		365				
Careo S.r.l.		706	870		6,730	
Cascades Asia Ltd.	558					
Cascades Canada ULC				48		
Cascades Djupafors A.B.	134			235		
Cascades Groupe Produits				1		
Cascades Inc.				4		
Cascades S.A.S.	194			1,128		1,204
Pac Service S.p.A.					106	
RDM Tissue Core S.r.l. in liquidation		365				
Renologistica S.r.l. in liquidation			322			
Total	886	1,547	1,192	1,416	7,066	1,204
Share of item total	1%	100%	100%	1,2%	100%	78%

Revenues and Costs Deriving from Related-Party Transactions

The tables below provide a breakdown of revenues and costs with other related parties during 2012 and 2011:

December 31, 2012	Revenues from sales	Other revenues	Financial income
(thousands of Euros)			
Careo GmbH		15	
Careo Ltd		211	
Careo S.A.S.	794	58	
Careo Spain S.L.		130	
Careo S.r.l.		730	108
Cascades Asia Ltd	4,268		
Cascades Djupafors A.B.		321	
Cascades S.A.		253	
Pac Service S.p.A.	3,337		
Total	8,399	1,718	108
Share of item total	1.8%	14.3%	70.6%

December 31, 2012	Cost of Raw Materials and Services	Financial expense
(thousands of Euros)		
Careo S.A.S.	28	
Careo S.r.l.	10,817	61
Cascades Canada ULC	49	
Cascades Djupafors A.B.	935	
Cascades Inc.	17	
Cascades S.A.	3,551	
Careo Spain	14	
ZAR SRL	4,043	
Red. Imm. S.r.l.	20	
Total	19,474	61
Share of item total	5.1%	

December 31, 2011	Revenues from sales	Other revenues	Financial income
(thousands of Euros)			
Careo GmbH		15	
Careo Ltd		200	
Careo S.A.S.	795	56	
Careo Spain S.L.		153	
Careo S.r.l.		647	53
Cascades Asia Ltd	4,719		
Cascades Djupafors A.B.		293	
Cascades S.A.S.	67	278	
Pac Service S.p.A.	2,658		
RDM Tissue core S.r.l. in liquidation	808	12	
Total	9,047	1,654	53
Share of item total	1.8%	11.6%	72.6%

December 31, 2011	Cost of Raw Materials and Services	Financial expense
(thousands of Euros)		
Careo GmbH		27
Careo S.A.S.	32	
Careo S.r.l.	12,784	4
Cascades Canada ULC	189	
Cascades Djupafors A.B.	907	
Cascades Inc.	10	
Cascades S.A.S.	3,974	
Red.Imm. S.r.l.	20	
Total	17,916	31
Share of item total	4.4%	0.4%

Cash Flows from Related Parties

	12.31.2012	12.31.2011
(thousands of Euros)		
Revenues and income	10,117	10,701
Costs and charges	(19,474)	(17,916)
Interest income	108	53
Interest expense	(61)	(31)
Change in trade receivables	846	(12)
Change in trade payables	483	1,052
Change in total working capital	1,329	1,040
Cash flows from (used by) operating activities	(7,981)	(6,153)
Change in other financial assets, financial liabilities and short-term payables to banks	3,222	(2,108)
Cash flows from (used by) financing activities	3,222	(2,108)
Cash flows for the year	(4,759)	(8,261)

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The analysis and disclosures required by IFRS 7 – Financial Instruments: Disclosures are provided below.

This analysis compares the situation at the reporting date December 31, 2012 with the situation as at December 31, 2011, and it refers to the RDM Group's consolidated financial statements.

All figures are stated in thousands of Euros.

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

Impact of Financial Instruments on the Financial position

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

	12.31.2012		12.31.2011	
	Book value	Fair value	Book value	Fair value
(thousands of Euros)				
Cash and cash equivalents	**3,137**	**3,137**	**2,564**	**2,564**
Loans and receivables	**93,558**	**93,558**	**100,830**	**100,830**
Trade receivables	86,384	86,384	93,918	93,918
Other receivables from associates and joint ventures	445	445	1,192	1,192
Other receivables	6,729	6,729	5,720	5,720
Available-for-sale financial assets	**191**	**191**	**195**	**195**
Financial liabilities at amortized cost	**(226,098)**	**(230,702)**	**(230,018)**	**(234,576)**
Unsecured medium- and long-term bank loans at amortized cost	(1,086)	(1,117)	(1,397)	(2,043)
Secured medium- and long-term bank loans	(48,860)	(53,433)	(57,730)	(61,642)
Short-term bank loans as use for commercial facilities	(36,040)	(36,040)	(29,570)	(29,570)
Trade payables	(123,398)	(123,398)	(123,879)	(123,879)
Other payables to associates and joint ventures	(2,120)	(2,120)		
Other payables	(14,594)	(14,594)	(17,442)	(17,442)
Financial liabilities at fair value through profit and loss	**(277)**	**(277)**	**(322)**	**(322)**
Hedging derivatives	**(1,125)**	**(1,125)**	**(1,301)**	**(1,301)**
	(130,614)	**(135,218)**	**(128,052)**	**(132,610)**
Unrecognized profits (losses)	**(4,604)**		**(4,558)**	

Having examined the financial models and criteria used to estimate the fair values of the above-mentioned financial instruments, further details are provided below on the individual items.

Derivative instruments

In general, the fair value of derivatives is calculated according to mathematical models using directly observable input data (such as an interest rate curve).

The Group's only derivative instruments indexed to interest rates are interest rate swaps. A discounted cash flow model is used to measure these instruments, whereby the fair value of a derivative is given by the sum of the present values of future cash flows estimated on the basis of the deposit rates, futures and swaps riskless curve conditions at the reporting date.

From January 1, 2009, the Group adopted the amendments to IFRS 7 for financial instruments which are valued at fair value. The amendments to IFRS 7 refer to evaluation techniques structure which is based on three levels:

- Level 1: The information used in the valuations are listed prices of markets on which identical assets and liabilities to the ones which are being evaluated are traded;
- Level 2: The information used in the valuations, unlike the listed prices in Level 1, are those observed for the financial assets or liabilities, both directly (prices) and indirectly (derived from prices);
- Level 3: Information which cannot be observed, if information which can be observed is not available, and therefore there is little if any market activity for the assets and liabilities which are the subject of the valuation.

	Classification	12.31.2012	Fair value Measurements at reporting date using:		
			Level 1	Level 2	Level 3
(thousands of Euros)					
Interest rate derivatives	Non-current derivative financial instruments	765		765	
Interest rate derivatives	Current derivative financial instruments	637		637	

As at December 31, 2012, the Group did not hold any foreign-exchange derivative instruments or any derivative instruments indexed to commodity prices.

Loans

The aggregate under review consists of all medium- and long-term loans. These were measured by calculating the net present value of the future flows generated by the financial instrument, taking into account the principal repayment plans defined in the loan agreements.

In the case of indexed loans, future interest rates were estimated by calculating the forward rates implicit in the quoted euro deposit rates, futures and swaps riskless curve as at December 31, 2012 and December 31, 2011.

Future flows were discounted on the basis of the same euro yield curve as at December 31, 2012 and December 31, 2011.

Financial Assets

The table below provides a breakdown of financial assets:

	12.31.2012	12.31.2011
(thousands of Euros)		
Non-current financial assets		
Non-derivative financial assets	*191*	*195*
Available-for-sale financial assets	191	195
Total	191	195
Current financial assets		
Non-derivative financial assets	3,137	2,564
Total	3,137	2,564

Financial Liabilities

The table below provides a breakdown of financial liabilities:

	12.31.2012	12.31.2011
(thousands of Euros)		
Non-current liabilities		
Non-derivative liabilities	*(37,042)*	*(45,932)*
Unsecured medium- and long-term bank loans at amortized cost	(1,052)	(1,064)
Secured medium- and long-term bank loans at amortized cost	(35,990)	(44,868)
Hedging derivatives	*(622)*	*(871)*
Non-hedging derivatives	*(143)*	*(151)*
Total	(37,806)	(46,954)
Current liabilities		
Non-derivative liabilities	*(48,944)*	*(42,765)*
Current portion of unsecured medium- and long-term bank loans at amortized cost	(34)	(333)
Current portion of secured medium- and long-term bank loans at amortized cost	(12,870)	(12,862)
Short-term bank loans as use for commercial facilities	(36,040)	(29,570)
Hedging derivatives	*(503)*	*(430)*
Non-hedging derivatives	*(134)*	*(171)*
Total	(49,581)	(43,366)

Loan Repayment Plans, Terms and Conditions

The terms and conditions of the loans are summarized in the table below.

	Currency	Nominal interest rate	Year of maturity	Nominal value 12.31.2012	Book value	Nominal value 12.31.2012	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans				**48,781**	**47,855**	**57,650**	**56,649**
Intesa SanPaolo syndicated loan (tranche A)	Euro	Eur6m+spread	2016	21,982	21,469	28,262	27,434
Intesa SanPaolo syndicated loan (tranche B)	Euro	Eur6m+spread	2016	7,000	6,905	9,000	8,846
Banca Popolare Emilia Romagna	Euro	mEur6m+spread	2016	2,170	2,158	2,790	2,771
Intesa San Paolo	Euro	Eur6m+spread	2016	11,466	11,466	14,741	14,741
Dresdner Bank	Euro	Eur6m+spread	2015	2,143	2,143	2,857	2,857
Frie 1	Euro	Eur6m+spread	2022	1,450	1,450		
Friulia S.p.A.	Euro	Eur6m+spread		2,570	2,264		
Unsecured medium- and long-term bank loans at amortized cost				**1,913**	**1,913**	**2,162**	**2,162**
MinIndustria 10686	Euro	Fix	2014	154	154	305	305
MinIndustria 11172	Euro	Fix	2017	625	625	767	767
M.I.T.C.	Euro	Fix	2025	238	238	238	238
Leasing Caterpillar	Euro	Fix	2016	48	48	60	60
Caja Duero	Euro	Eur12m+spread	2019	848	848	792	792
Total medium- and long-term loans				**50,694**	**49,768**	**59,812**	**58,811**
Short-term bank loans as use for commercial facilities				**36,028**	**36,028**	**29,556**	**29,556**
Used portfolio	Euro	Euribor+spread	n/a	10,994	10,994	12,076	12,076
Pre-paid invoices	Euro	Euribor+spread	n/a	2,413	2,413	1,786	1,786
Export loans	Euro	Euribor+spread	n/a	13,124	13,124	13,495	13,495
Import loans	Euro	Euribor+spread	n/a	9,497	9,497	2,199	2,199
Total short-term loans	Euro			**36,028**	**36,028**	**29,556**	**29,556**
Total interest-bearing liabilities	Euro			**86,722**	**85,796**	**89,368**	**88,367**

Other Financial Instruments

The fair value of receivables from customers, payables to suppliers and other financial assets and liabilities falling due contractually during the year has not been calculated as the carrying amount of the financial instrument is virtually the same.

Other Information

The table below provides a breakdown of changes in the equity hedging reserve:

(thousands of Euros)	
Reserve 12.31.2011	(704)
Fair value adjustment of cash flow hedge derivatives	530
Tax effect of fair value adjustment of cash flow hedge derivatives	*(147)*
Transfers to the income statement	*(335)*
Tax effect of transfers to the income statement	*93*
Reserve 12.31.2012	(563)

Credit Risk

This section describes in both quantitative and qualitative terms the exposure to credit risk and the way in which this is managed.

Risk Exposure

Core business exposure to credit risk at the reporting date was as follows:

	12.31.2012	12.31.2011
(thousands of Euros)		
Gross trade receivables	92,052	99,165
- provision for bad and doubtful debts	(5,709)	(5,329)
Total	86,343	93,836

Overdue or Impaired Financial Assets

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

December 31, 2012	Overdue receivables More than 60	From 31 to 60	From 0 to 30	Non-overdue receivables	Total
(thousands of Euros)					
Italy	3,173	515	5,335	45,721	54,744
EU	190	697	4,674	16,592	22,153
Rest of world	213	(1)	948	8,286	9,446
Total	**3,576**	**1,211**	**10,957**	**70,599**	**86,343**

December 31, 2011	Overdue receivables More than 60	From 30 to 60	From 0 to 30	Non-overdue receivables	Total
(thousands of Euros)					
Italy	2,400	1,199	5,051	42,840	51,490
EU	401	1,093	7,302	25,099	33,895
Rest of world	235	33	496	7,687	8,451
Total	**3,036**	**2,325**	**12,849**	**75,626**	**93,836**

The portion of the Group’s receivables that are overdue as at December 31, 2012 was 18.2%, in line with the previous year (19.4%). This change reflects the global trend, which was significantly affected by the financial markets crisis in 2012. This is also why the amount of receivables overdue by more than 31 days has increased.

How Credit Risk is Managed

As a general rule, the Group’s commercial risk management policy is to insure all client receivables, excluding those on the Italian market, with leading insurance companies. Any uninsured or partially insured balances require specific authorization from RDM’s management, depending on the amount. Specific credit control procedures requiring authorization from various levels of RDM’s management are in place for clients on the Italian market. The Group’s operational policies envisage continual monitoring of receivables due from Italian and non-Italian clients, as well as prompt initiation of suitable recovery procedures in the event of default.

The internal procedures for carrying out a creditworthiness assessment, needed in order to start doing business with a potential client, involve collecting and analyzing qualitative and quantitative information. Given the importance of the matter, since last year RDM has established procedures suitable for its own structure and for the Group's new situation in order to enable better information flows and, as a result, better risk monitoring and control.

In 2012, following the non-recourse factoring programs signed by several Group companies, receivables amounting to €56.0 million were sold which incurred costs of €0.8 million. Cash flow from these transfers was €54.6 million, and the related new financial activities issued came to €1.4 million.

Market Risk

Market risk is defined as the risk that the fair value or the cash flows associated with a financial instrument will fluctuate because of changes in market variables such as exchange rates, interest rates, the prices of raw materials, and stock prices.

The market risk to which the Group was exposed during 2011 may be broken down as follows:

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

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

Currency Risk

The Group's exposure to currency risk derives from:

- trade receivables/payables denominated in currencies other than the functional currency (euro);
- liquidity held in foreign-currency current accounts;
- short-term financial debt in foreign currencies.

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

In 2012, the Group managed the marginal imbalance between investments and funds in the same currency by using a natural-hedging approach and by carefully and continually monitoring market conditions; as a result, it was not deemed necessary to resort to hedging derivatives.

The Group's exposure in Euros is shown below, based on the official ECB exchange rates at December 31, 2012 and December 31, 2011, as reported in the following table:

ECB exchange rate	12.31.2012	12.31.2011
(per euro)		
USD	1.3194	1.2939
GBP	0.8161	0.8353
CHF	1.2072	1.2156
CAD	1.3137	1.3215

The table below provides a breakdown of the consolidated exposure to currency risk, based on the notional amount of the exposure expressed in thousands of Euros.

	12.31.2012				12.31.2011			
	USD	GBP	CHF	CAD	USD	GBP	CHF	CAD
(thousands of Euros)								
Trade receivables	6,188	1,262	(1)		4,420	4,316	67	
Short-term bank loans as use for commercial facilities								
Trade payables	(2,784)	(105)		(13)	(4,841)			(56)
Cash and cash equivalents	3,507	868			1,807	333	13	1
Exposure	**6,911**	**2,025**	**(1)**	**(13)**	**1,386**	**4,649**	**80**	**(55)**

Sensitivity Analysis of Currency Risk

In order to measure the possible effects of changes in the reporting-date exchange rates on the statement of financial position and income statement, assumptions were made (at December 31, 2012 and December 31, 2011) as to variations in the value of the euro against the major foreign currencies.

Two scenarios were envisaged: an appreciation and a depreciation of 10% in the euro against the other currencies. For each of the two scenarios, the gain or loss arising from transactions outstanding at December 31, 2012 and December 31, 2011 was then calculated. In this way, it was possible to determine the effect on the income statement and on shareholders' equity had exchange rates varied as assumed.

The tables below provide a summary of the results of this analysis, indicating the additional effect on the actual figures recognized at the reporting date. These remeasurements based on changes in the exchange rate affect only profit or loss for the year and therefore only the income statement.

10% appreciation of the euro		10% depreciation of the euro	
(thousands of Euros)	Gain (loss)	(thousands of Euros)	Gain (loss)
December 31, 2012		December 31, 2012	
USD	(628)	USD	768
GBP	(193)	GBP	236
CHF		CHF	
CAD	1	CAD	(1)
Total	(820)	Total	1.003
December 31, 2011		December 31, 2011	
USD	(126)	USD	154
GBP	(423)	GBP	517
CHF	(7)	CHF	9
AUD	5	AUD	(6)
Total	(551)	Total	674

How Currency Risk is Managed

The main objective of the Group's currency-risk management policy is to limit the exposure to foreign currency arising from exporting finished goods to and importing raw materials from foreign markets. The following guidelines are used in pursuing this policy:

- first of all, inflows and outflows in the same currency are offset (natural hedging);

- secondly, recourse is made to forward sales or to export loans in the same currency. These transactions are arranged by using a notional amount and due date which correspond to those of the expected cash flows (if the amount is significant), so that any changes in the cash flows arising from the forward transactions, as the result of the appreciation or depreciation of the euro against the other currencies, are substantially offset by a corresponding change in the expected cash flows of the underlying positions.

- finally, forward sales are hedged. There were no outstanding transactions of this type at the reporting date.

As a general rule, the currency-risk management policy recommends maximizing the use of natural hedging and, in any case, excludes recourse to transactions involving complex derivatives, e.g. those with barriers.

The Administration and Finance Department of the Group is responsible for monitoring currency risk and recommends suitable currency-risk hedging strategies to keep exposure within the limits agreed with senior management.

Interest Rate Risk

Financial liabilities exposing the Group to interest rate risk are, for the most part, medium- and long-term floating-rate indexed loans.

The table below sets out the positions that are subject to interest rate risk, separating fixed-rate from floating-rate exposure in terms of the notional value of the financial instruments.

However, the exposure to interest rate risk arising from loans is partially mitigated by entering into interest rate swap agreements designed to hedge the volatility of future cash flows indexed to market rates.

	12.31.2012	%	12.31.2011	%
(thousands of Euros)				
Floating-rate medium- and long-term loans	(20,322)	24.1%	(25,425)	28.4%
Floating-rate medium- and long-term loans hedged by IRS	(13,729)	16.3%	(20,063)	22.4%
Fixed-rate medium- and long-term loans	(1,052)	1.3%	(1,065)	1.2%
Total non-current liabilities	(35,103)	41.7%	(46,553)	52.1%
Floating-rate medium- and long-term loans	(7,172)	8.5%	(7,120)	8.0%
Floating-rate medium- and long-term loans hedged by IRS	(5,834)	7.0%	(5,834)	6.5%
Fixed-rate medium- and long-term loans	(13)	0.0%	(306)	0.3%
Floating-rate short-term bank loans as use of commercial facilities	(36,028)	42.8%	(29,556)	33.1%
Total current liabilities	(49,047)	58.3%	(42,816)	47.9%
Total (floating rate)	*(63,522)*	*75.5%*	*(62,101)*	*69.5%*
Total (fixed rate or hedged floating rate)	*(20,628)*	*24.5%*	*(27,268)*	*30.5%*
Total	(84,150)	100.0%	(89,369)	100.0%

Sensitivity Analysis of Interest Rate Risk

A sensitivity analysis of the financial instruments exposed to interest rate risk was performed upon preparation of the financial statements. The following assumptions were used in the model:

- for bank current-account exposure and spreads settled by interest rate swaps, financial income/expense was recalculated by applying +/-50 bps to the interest rate payable, multiplied by the carrying amounts and for a period equal to the financial year;

- for loans with a repayment plan, the change in financial expense was calculated by applying +/-50 bps to the loan interest rate payable at each refixing date, multiplied by the outstanding principal during the year;

- the change in the fair value of interest rate swaps at the reporting date was calculated by applying +/-50 bps to the euro riskless curve for deposit rates, futures and swaps upon preparation of the financial statements.

		Profit (loss)		Shareholders' Equity	
		Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
(thousands of Euros)					
December 31, 2012					
Cash flows during the year		(583)	584		
	Cash flows from derivatives	*106*	*(105)*		
	Floating-rate loans	*(689)*	*689*		
Effectiveness of hedges				156	(152)
Net sensitivity of financial flows		(583)	584	156	(152)
December 31, 2011					
Cash flows during the year		(302)	301		
	Cash flows from derivatives	*139*	*(140)*		
	Floating-rate loans	*(441)*	*441*		
Effectiveness of hedges				242	(246)
Net sensitivity of financial flows		(302)	301	242	(246)

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

How Interest Rate Risk is Managed

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

The techniques used most often are:

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

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

The Group sets about achieving this goal by using derivatives in the form of interest rate swaps (IRS).

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

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

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

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

Commodity Risk

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

At the end of September 2011, the Group entered into contracts for the supply of natural gas at prices linked to specific energy market indices. In order to limit commodity risk, these supply contracts contain moving averages of up to 12 months so that any monthly changes in the index have a minimal effect on the supply price.

At the end of October 2011, the Group entered into contracts for the supply of electricity at prices linked to several continental energy markets. Supply prices are agreed with spreads that are fixed in relation to these markets in order to limit commodity risk.

As at December 31, 2012, there were no outstanding derivative instruments for hedging commodity risk.

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

How Commodity Risk is Managed

The nature of the Group's business entails exposure to fluctuations in the price of electricity, natural gas and certain chemicals derived from petroleum (such as latexes) and fibrous raw materials.

The contracts for the supply of natural gas are indexed to a basket of fuels and are concluded at least three months before the time of supply. Electricity is purchased at a price indexed to the continental electricity market values, as published by the relevant market operators.

In order to contain price pressure on raw materials such as chemicals and fibrous products, the Group aims to diversify its suppliers and its supply markets.

The Group's current policy does not allow the use of derivative instruments with complex payoff patterns. It can, however, enter into technical forms of hedging with leading banks.

Liquidity Risk

Liquidity risk can take the form of difficulty in obtaining the funds required to satisfy scheduled contractual commitments at market conditions.

This may mean there are insufficient resources available to meet financial obligations under the agreed terms and conditions and at the pre-determined due dates, or it may mean the business is required to settle its financial liabilities earlier than the scheduled due date.

For each contract, the analysis aimed to measure the cash flows deriving from the various types of financial liability held at December 31, 2012 and December 31, 2011.

Depending on their nature, financial liabilities were separated into non-derivative and derivative financial liabilities. Given the different accounting treatments, the latter were subdivided into liabilities where the derivative had been formally designated as a hedge, and had turned out to be effective, and liabilities where the derivative was not subject to hedge accounting.

The main assumptions relating to the Group's financial requirements which were used to carry out the analyses were as follows:

- cash flows are not discounted;

- cash flows are allocated to their respective time bands on the basis of the first possible payment date envisaged by the contractual terms and conditions (the worst-case scenario);
- all instruments held at the reporting date for which payments have been contractually designated are included; planned future commitments which have not yet been recognized in the financial statements are not included;
- if the amount payable is not fixed (e.g. future interest payments), financial liabilities are measured at market terms and conditions at the reporting date;
- cash flows also include the interest that the Group will pay up to the due date of a debt, measured at the reporting date and calculated on the basis of market forward interest rates.

December 31, 2012	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	3,137	3,137	3,137				
Other receivables from associates and joint ventures	445	445	445				
Other receivables	6,729	6,729	6,729				
Medium- and long-term bank loans	(49,946)	(54,300)	(7,841)	(7,111)	(14,451)	(23,732)	(1,165)
Short-term bank loans as use For commercial facilities	(36,040)	(36,040)	(36,040)				
Other payables	(14,594)	(14,594)	(14,594)				
Other payables from associates and joint ventures	(2,120)	(2,120)	(2,120)				
Hedging derivative instruments	(1,125)	(1,133)	(295)	(210)	(398)	(230)	
Non-hedging derivative instruments	(277)	(278)	(73)	(52)	(106)	(47)	
Trade payables	(123,398)	(123,398)	(123,398)				
Total	(217,189)	(221,552)	(174,050)	(7,373)	(14,955)	(24,009)	(1,165)

December 31, 2011	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	2,564	2,564	2,564				
Other receivables from associates and joint ventures	1,194	1,194	1,194				
Other receivables	5,720	5,720	5,720				
Medium- and long-term bank loans	(59,127)	(65,875)	(7,934)	(7,928)	(14,849)	(34,844)	(320)
Short-term bank loans as use For commercial facilities	(29,570)	(29,570)	(29,570)				
Other payables	(17,442)	(17,442)	(17,442)				
Hedging derivative instruments	(1,301)	(1,333)	(233)	(201)	(477)	(422)	
Non-hedging derivative instruments	(322)	(328)	(61)	(43)	(132)	(92)	
Trade payables	(123,879)	(123,879)	(123,879)				
Total	(222,163)	(228,949)	(169,641)	(8,172)	(15,458)	(35,358)	(320)

The first section of the tables compares the book value of the financial liabilities with the total value of cash flows that – given the market conditions at the reporting date – are expected to be received from or paid to counterparties. The second section of the tables shows a breakdown by time period of the total cash flows, which make up the item "Contractual financial flows".

How Liquidity Risk is Managed

The Group's financial activity is centered largely on Reno De Medici S.p.A., which, on the basis of consolidated practice inspired by prudence and stakeholder protection, negotiates credit facilities with banks and continually monitors the cash flows of the individual Group companies.

The Group's management policies involve continually monitoring liquidity risk with a view to mitigating said risk by maintaining sufficient liquidity and/or short-term deposits with prime counterparties and by having access to short-term credit facilities backed mainly by receivables from domestic and foreign clients.

OTHER INFORMATION

Equity investments in subsidiaries, associates and joint venture as at December 31, 2012 (pursuant to article 38, paragraph 2 of Legislative Decree no. 127/91).

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

Cartonboard sector

Cartiera Alto Milanese S.p.A.

Milan – Italy

Direct ownership 100%

Emmaus Pack S.r.l.

Milan - Italy

Direct ownership 51.39%

RDM Blendecques S.A.S.

Blendecques – France

Direct ownership 100%

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

Milan - Italy

Direct ownership 80%

Reno De Medici Arnsberg GmbH

Arnsberg – Germany

Direct ownership 94%

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

Reno De Medici Iberica S.L.

Prat de Llobregat - Barcelona - Spain

Direct ownership 100%

Reno De Medici UK Limited

Wednesbury – UK

Direct ownership 100%

Service sector

Cascades Grundstück GmbH & Co.KG

Arnsberg – Germany

Direct ownership 100%

LIST OF EQUITY-ACCOUNTED INVESTMENTS

Cartonboard sector

Manucor S.p.A.

Caserta - Italy

Direct ownership 22.75%

Pac Service S.p.A.

Vigonza - Padua - Italy

Direct ownership 33.33%

Carta Service Friuliana S.r.l.

Milan - Italy

Direct ownership 50%

ZAR S.r.l.

Silea - Italy

Direct ownership 33.33%

Service sector

Careo S.r.l.

Milan – Italy

Indirect ownership 70%

Careo Gmbh

Krefeld – Germany

Indirect ownership 70% (through Careo S.r.l.)

Careo S.A.S.

La Fayette – France

Indirect ownership 70% (through Careo S.r.l.)

Careo Spain S.L.

Prat de Llobregat – Barcelona – Spain

Indirect ownership 70% (through Careo S.r.l.)

Careo Ltd

Wednesbury – UK

Indirect ownership 70% (through Careo S.r.l.)

Careo S.r.o.

Prague – Czech Republic

Indirect ownership 70% (through Careo S.r.l.)

Careo KFT

Budapest - Hungary

Indirect ownership 70% (through Careo S.r.l.)

Careo SP z.o.o.

Warsaw - Poland

Indirect ownership 70% (through Careo S.r.l.)

Careo LLC in liquidation

Russia

Indirect ownership 70% (through Careo S.r.l.)

LIST OF INVESTMENTS IN OTHER COMPANIES

Cartonboard sector

Cartonnerie Tunisienne S.A.

Les Berges Du Lac - Tunis

Direct ownership 5.274%

Consortiums

Gas Intensive S.c.r.l.

Milan – Italy

Consortium share

Comieco

Milan – Italy

Consortium share

Conai

Milan – Italy

Consortium share

Consorzio Filiera Carta

Frosinone – Italy

Consortium share

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

Valpenga (TO) - Italy

Consortium share

Idroenergia S.c.r.l.

Aosta - Italy

Consortium share

Università Carlo Cattaneo

Castellanza (VA) – Italy

Consortium share

SUBSEQUENT EVENTS

More information on significant events occurring after the end of 2012 can be found in the Directors' Report.

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2012, IN COMPLIANCE WITH ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED.

1. The undersigned Mr Ignazio Capuano, as CEO and Stefano Moccagatta as Financial Reporting Executive of Reno De Medici S.p.A., certify, also taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

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

of the administrative and accounting procedures pertaining to the preparation of the year-end consolidated financial statements for the period from January 1 to December 31, 2012.

2. No significant issues have emerged in this regard.

3. It is further certified that

3.1. the consolidated financial statements:

a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;

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

c) are able to provide a true and fair view of the financial position, the results and the cash flows of the issuer and of the companies whose accounts have been consolidated;

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

Milan, March 20, 2013

The CEO
signed

Ignazio Capuano

The Financial Reporting Executive
signed

Stefano Moccagatta

INDEPENDENT AUDITOR'S REPORT

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2012

STATEMENT OF INCOME

	Note	12.31.2012	12.31.2011 (*)
Revenues from sales	1	230,773,867	284,150,055
- of which related parties	*36*	*45,780,434*	*52,098,302*
Other revenues and income	2	14,244,908	14,715,201
- of which related parties	*36*	*6,477,620*	*6,140,978*
Change in inventories of finished goods	3	4,153,122	(1,859,832)
Cost of raw materials and services	4	(196,534,967)	(236,777,576)
- of which related parties	*36*	*(9,255,758)*	*(7,752,193)*
Personnel costs	5	(33,705,306)	(37,585,383)
Other operating costs	6	(2,706,401)	(2,198,803)
Gross operating profit		**16,225,223**	**20,443,662**
Depreciation and amortization	7	(14,745,986)	(16,322,394)
Write-downs	8	(1,914,242)	
Operating profit		**(435,005)**	**4,121,268**
Financial expense		*(6,297,443)*	*(7,144,471)*
Gains (losses) on foreign exchange		*(3,963)*	*131,632*
Financial income		*346,753*	*424,702*
Net financial income (expense)	9	(5,954,653)	(6,588,137)
Gains (losses) from investments	10	(2,568,818)	1,639,092
Taxes	11	(973,243)	4,953,942
Profit (loss) for the year		**(9,931,719)**	**4,126,165**

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Company's early adoption of IAS 19.

STATEMENT OF COMPREHENSIVE INCOME

	Note	12.31.2012	12.31.2011 (*)
Profit (loss) for the year		(9,931,719)	4,126,165
Other components of comprehensive profit (loss)			
Actuarial gain (loss)	*24*	*(1,507,670)*	*(122,274)*
Change in fair value of cash flow hedges	*24*	*140,686*	*99,987*
Total other components of comprehensive profit (loss)		(1,366,984)	(22,287)
Total comprehensive profit (loss)		(11,298,703)	4,103,878

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Company's early adoption of IAS 19.

STATEMENT OF FINANCIAL POSITION

	Note	12.31.2012	12.31.2011
ASSETS			
Non-current assets			
Tangible fixed assets	12	140,260,156	156,726,818
Other intangible assets	13	1,248,891	1,461,308
Investments in Subsidiaries	14	79,771,411	101,365,675
Investments in Associates and Joint Ventures	15	1,888,238	5,605,041
Available-for-sale financial assets	16	191,216	194,683
Other receivables	17	295,660	138,031
Total non-current assets		223,655,572	265,491,556
Current assets			
Inventories	18	38,761,897	44,981,863
Trade receivables	19	30,472,688	45,420,428
Receivables from Group Companies	20	23,454,009	18,807,880
Other receivables	17	1,657,679	2,527,124
Other Receivables from Group Companies	21	4,269,601	10,013,147
Cash and cash equivalents	22	2,629,088	2,198,772
Total current assets		101,244,962	123,949,214
Non-current assets held for sale	23		1,289,556
TOTAL ASSETS		324,900,534	390,730,326

	Note	12.31.2012	12.31.2011 (*)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		185,122,487	185,122,487
Other reserves		2,470,987	532,776
Retained earnings (losses)		(32,690,518)	(36,616,489)
Profit (loss) for the year		(9,931,719)	4,126,165
Total shareholders' equity	24	144,971,237	153,164,939
Non-current liabilities			
Payables to banks and other lenders	22	30,894,681	42,776,371
Other Payables to Group Companies	32	1,428,571	6,370,292
Derivative instruments	25	703,424	1,021,753
Other payables	26	1,490,600	1,542,703
- of which related parties	*36*	*1,204,033*	*1,204,033*
Deferred taxes	27	572,723	569,576
Employee benefits	28	9,766,921	11,195,327
Non-current provisions for risks and charges	29	3,685,470	7,566,670
Total non-current liabilities		48,542,390	71,042,692
Current liabilities			
Payables to banks and other lenders	22	37,948,458	39,906,783
Derivative instruments	25	579,911	463,932
Trade payables	30	70,804,953	79,405,243
Payables to Group Companies	31	3,651,466	6,470,935
Other payables	26	5,322,736	7,357,619
Other Payables to Group Companies	32	13,042,818	32,428,206
Current taxes	33	11,728	225,481
Employee benefits	28	24,837	264,496
Total current liabilities		131,386,907	166,522,695
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		324,900,534	390,730,326

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Company's early adoption of IAS 19.

STATEMENT OF CASH FLOWS

	Note	12.31.2012	12.31.2011 (*)
(thousands of Euros)			
Profit (loss) for the year before tax		(8,958)	(828)
Depreciation and amortization	7	14,746	16,322
Write-downs	8	1,914	
Losses (gains) from investments	10	2,569	(1,639)
Financial (income) expense	9	5,951	6,719
Capital losses (gains) on sale of fixed assets		(264)	(24)
Change in provisions for employee benefits and in other provisions, including the provision for bad and doubtful receivables		(1,511)	(4,323)
Change in inventories	18	(1,849)	2,263
Change in trade receivables		1,443	24,761
- of which related parties	*36*	*(5,981)*	*8,114*
Change in trade payables		(8,683)	(271)
- of which related parties	36	*(2,976)*	*3,196*
Change in total working capital		(9,089)	26,753
Gross cash flows		5,358	42,980
Interest paid in the year		(5,422)	(5,220)
- of which related parties	*36*	*(596)*	*(884)*
Interest received in the year		321	408
- of which related parties	*36*	*321*	*408*
Taxes paid in the year		(1,664)	(1,256)
Cash flows from (used by) operating activities		(1,407)	36,912
Sale (purchase) of available-for-sale financial assets		3	(4)
Net investment in non-current assets		(11,211)	(14,270)
Disinvestment in non- current assets held for sale and spare parts		2,365	
Capital transactions	14	28,414	(3,618)
Equity investments in subsidiaries	14	(10,000)	(5)
Investment in joint ventures		(30)	(30)
Sale of business unit	10	10,000	
Dividends received		3,598	7,307
Cash flows from (used by) investing activities		23,139	(10,620)
Change in other financial assets and liabilities and short-term payables to banks		(4,184)	(14,913)
- of which related parties	*36*	*(15,137)*	*(6,531)*
Change in medium- and long-term loans		(17,118)	(10,996)
- of which related parties	36	*(4,941)*	*(714)*
Cash flows from (used by) financing activities		(21,302)	(25,909)
Change in unrestricted cash and cash equivalents	22	430	383
Unrestricted cash and cash equivalents at the beginning of the year	22	2,199	1,816
Unrestricted cash and cash equivalents at the end of the year	22	2,629	2,199

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Company's early adoption of IAS 19.

STATEMENT OF STOCKHOLDERS EQUITY

(thousands of Euros)	Share capital	Legal reserve	Extraordinary reserve	Profit (loss) carried forward	Profit (loss) for the year (*)	Hedging reserve	Actuarial gain (loss) (*)	Reserve for Ovaro sale	Total shareholders' equity
Shareholders' equity at 12.31.2010	185,122	5	1,150	(40,478)	4,065	(803)			149,061
Allocation of 2010 profit		203		3,862	(4,065)				
Profit (loss) for the year					4,126				4,126
Other components of comprehensive profit (loss)						100	(122)		(22)
Total comprehensive profit (loss)					4,126	100	(122)		4,104
Shareholders' equity at 12.31.2011 (*)	185,122	208	1,150	(36,616)	4,126	(703)	(122)		153,165
Allocation of 2011 profit		200		3,926	(4,126)				
Reserve for Ovaro sale								3,105	3,105
Profit (loss) for the year					(9,932)				(9,932)
Other components of comprehensive profit (loss)						141	(1,508)		(1,367)
Total comprehensive profit (loss)					(9,932)	141	(1,508)		(11,299)
Shareholders' equity at 12.31.2012	185,122	408	1,150	(32,690)	(9,932)	(562)	(1,630)	3,105	144,971

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Company's early adoption of IAS 19.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

STRUCTURE AND CONTENT

RDM is a company which is established as a legal person under Italian law, which operates mainly in Italy. The business of the Company, which operates mainly in Italy, is the production and distribution of cartonboard made mainly from recycled fibers (recycled cartonboard). The commercial operations are carried out through a network of agents under the joint venture Careo S.r.l.

RDM has its registered office in Milan, Italy.

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

RDM's draft separate financial statements were approved and authorized for publication by its Board of Directors on March 20, 2013.

Reno De Medici S.p.A., as Parent Company, also prepared the consolidated financial statements of the RDM Group at December 31, 2012.

The separate financial statements for 2012 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/205. IFRS is also understood as all the revised accounting principles (International Accounting Standards or IAS), and all the interpretations of the IFRS Interpretations Committee ("IFRIC") and of its predecessor, the Standing Interpretations Committee ("SIC").

RDM applied the same accounting principles, with the exception of the classification of actuarial gains/losses from the calculation of employee benefits, as for the Annual Report at December 31, 2011. These actuarial gains/losses are now recorded under "Other Components of the Statement of Comprehensive Income" in accordance with the new IAS 19 following early adoption thereof. As a result, the comparative figures as of December 31, 2011 were restated, which had the following effects on the separate income statement:

	12.31.2011
(thousands of Euros)	
Financial expenses – Actuarial gain/loss write-off	122
Taxes on Actuarial gain (loss)	-
Impact on profit (loss) for the year	**122**

The accounting standards, amendments and interpretations effective as of January 1, 2012 and not relevant to the Group are as follows:

- Amendment to IAS 12 - Income Taxes.

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

- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IFRS 13 – Fair Value Measurement;
- Amendment to IAS 1 – Presentation of Financial Statements;
- Amendment to IAS 32 – Financial Instruments: Presentation;
- Amendment to IFRS 7 – Financial Instruments: Disclosures.

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

- IFRS 9 – Financial Instruments;
- Annual Improvement to IFRSs – 2009-2011 Cycle.

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

The financial statements are prepared on the going-concern assumption. In this respect, despite operating in a persistently difficult economic and financial environment, the Company's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern.

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

The Parent Company has chosen to present the structure and content of its separate financial statements in the following manner:

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

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

ACCOUNTING PRINCIPLES

TANGIBLE FIXED ASSETS

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

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

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

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

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

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

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

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

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

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

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale consist of non-current assets whose carrying value will be recovered principally through a sale rather than through continuing use. Assets held for sale are stated at the lower of their carrying amount and their fair value less costs to sell and are not depreciated.

INTANGIBLE ASSETS

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

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

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

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

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

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

IMPAIRMENT

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

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

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

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

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

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

Investments in Subsidiaries, Associates and Joint Ventures

Investments in subsidiaries, associates and joint ventures are measured at cost and undergo testing to determine the extent of any impairment losses, as described in the "Impairment" section above.

The test is conducted whenever there are impairment indicators.

Where the investee company has distributed dividends, the following situations are also considered to be impairment indicators:

- the book value of the holding on the separate financial statements exceeds the carrying amount of the investee company's net assets (including any related goodwill) on the consolidated financial statements;
- the dividend exceeds the total profits (statement of comprehensive income) of the investee company in the period to which the dividend applies;
- the recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Specifically, when considering the existence of possible impairment of equity investments in subsidiaries and associates, since these are holdings for which a reliable market value (fair value less costs to sell) cannot be determined, the recoverable amount was defined as value in use, i.e. the current value of cash flows estimated with reference to the forecast results of the investee companies and to the estimated value of a hypothetical ultimate disposal in accordance with IAS 28 (paragraph 33).

When it is necessary to proceed with a write-down, this is recognized in the income statement for the year in which it was measured.

When the impairment of an asset is subsequently eliminated or reduced, the book value of the asset is increased to the new estimate of the recoverable amount and may not exceed the value that would have been determined if no impairment had occurred. The reversal of the impairment is recognized immediately on the income statement.

DERIVATIVE INSTRUMENTS

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

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

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

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

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

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

TRADE AND OTHER RECEIVABLES

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

INVENTORIES

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

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

CASH AND CASH EQUIVALENTS

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

Employee benefits

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

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

The defined-benefit plans, such TFR accrued before the 2007 Italian Finance Law came into force, are plans for benefits subsequent to the termination of the employment relationship that are a future obligation and for which the Company bears the relevant actuarial and investment risks. The TFR fund is measured at the actuarial value of the liability of the Company, in accordance with current legislation and with the national collective and company-specific labor agreements. The actuarial valuation, based on demographic, financial and turnover assumptions, is entrusted to independent actuaries.

As reported above, from January 1, 2012, actuarial gains/losses are recorded under "Other Components of the Statement of Comprehensive Income" in accordance with the new IAS 19 following early adoption thereof, instead of transiting from the income statement.

Cash-Settled, Share-Based Compensation Plan

In the previous year, Reno De Medici S.p.A. approved two cash-settled, share-based incentive plans (one for management and one for its own employees and for employees of Group companies). The Ordinary Shareholders' Meeting of April 2011 approved a new incentive plan for management. The plan was based on financial instruments pursuant to article 114 *bis* of Legislative Decree no. 58/98.

According to IFRS 2, the options are initially measured at their allocation-date fair value, including an estimate of the options that will actually accrue in favor of assignees. The determined value is recorded as a personnel cost on the income statement on a straight-line basis throughout the accrual period.

This is done on the basis of a management estimate of stock options that will accrue. Fair value is determined by using a binomial tree option calculator.

Until the liability has been extinguished, the fair value of the options must be recalculated on each reporting date and on the settlement date, with all changes in fair value reported on the income statement.

Provisions for Risks and Charges

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

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

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

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

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

Payables to Banks and Other Lenders

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

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

Trade and Other Payables

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

Recognition of Revenues

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

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

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

Taxes

Current income taxes are based on an estimate of the taxable income for the year and on applicable rates and legislation. The expected liability, net of any payments on account or withholding tax incurred, is recognized on the statement of financial position under "Current taxes", or under "Other receivables" if during the year the Company has paid more on account than its tax liability.

Reno De Medici S.p.A., all of its Italian subsidiaries (Emmaus Pack S.r.l., Cartiera Alto Milanese S.p.A., Reno Logistica S.r.l. in liquidation) and the joint venture Careo S.r.l. have signed up to the Italian national tax consolidation scheme pursuant to Articles 117 *et seq.* of the Consolidated Law on Income Tax (TUIR). The Company acts as the consolidating company and becomes a single taxable base for the group of companies taking part, thereby enabling this group to offset taxable income against tax losses in a single tax return. Each company participating in the consolidation transfers its taxable income or tax loss to the consolidating company. As a consequence of this transfer, Reno De Medici S.p.A. recognizes a receivable or a payable corresponding to the IRES (Italian corporate income tax), net of any payments on account, from or to the participating company, depending on whether it contributes taxable income or a tax loss.

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

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

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

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

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

Discontinued operations

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

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

Foreign-Exchange Differences

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

Dividends

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

Financial Instruments and Risk Management

IFRS 7 - Financial Instruments: Disclosures requires extensive disclosures to be made in connection with the nature of credit, liquidity and market risks and the way in which these risks are managed. In this regard, more information can be found in the "Financial Instruments and Risk Management" section of the Notes to the Separate Financial Statements.

Estimates and Valuations

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

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

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

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

Fair Value of Derivative Contracts and Financial Instruments

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

Taxes

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

Impairment Tests

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

No goodwill has been allocated to the Reno de Medici CGUs, meaning there is no need for a specific annual impairment test. However, the current global economic and financial crisis, which has caused heavy losses on the major regulated markets over recent months, makes it impossible to predict national and global future economic scenarios.

Furthermore, the crisis on the financial markets has caused the Parent Company’s market capitalization to fall, with an average level that is lower than shareholders’ equity. Essentially this gap started to appear in the second half of 2008, just as the effects of the global financial crisis began to take hold.

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

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

The recoverability of carrying amounts is tested by comparing the net book value of the individual cash-generating units with the present value of the estimated future cash flows from the continuing use of the assets making up the cash-generating units and that of their terminal value.

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

a) estimates of future operating cash flows;

b) the discount rate;

c) the final growth rate.

With respect to point a), given the current economic and financial crisis, the Parent Company has made a prudent assumption, valid only for impairment testing, of the development of its operations between 2013 and 2015.

The Parent Company has used the same rate, 7.10%, for all cash-generating units when discounting cash flows, a rate which reflects current market assessments and also takes into account the specific risks of the sector.

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

On this basis, there was no need to recognize an impairment loss except at the Magenta and Marzabotto mills, where, in order to determine the recoverable amount of the production units, fair value less costs to sell (current market value) had to be used rather than value in use, and this was calculated on the basis of expert independent appraisals.

In addition, on the basis of the recommendations included in Joint Document no. 4 of the Bank of Italy, Consob (the Italian stock exchange regulator) and ISVAP (the Italian insurance regulator) of March 4, 2010, the Parent Company prepared sensitivity analyses on the results of the tests, basing these on changes in the underlying assumptions (the use of the growth rate in calculating the terminal value and the discount rate) that affect the value in use of the cash-generating units, but there was no need to record impairment losses.

Considering that recoverable amounts are calculated on the basis of estimates, and given the uncertainty surrounding how the present global crisis will evolve, the Parent Company cannot be certain that a revision of these estimates, and the resulting adjustment to values, will not be required in the future. The Parent Company will continually monitor the situation in order to make any necessary revision to the assumptions underlying the estimates.

Business plans were thus amended for the impairment testing of cash-generating units and investments, in order to take account of the current economic and financial situation and of the uncertainties weighing on all the main variables of the business.

In this respect, however, the present valuations may need to be revised if the crisis continues or worsens.

Notes

On June 22, 2012, with effect from July 1, 2012, Reno De Medici S.p.A. sold the business unit comprising the Ovaro mill to R.D.M. Ovaro S.p.A.

This transaction transferred to the subsidiary all assets and liabilities belonging to said business unit. The amounts of these assets and liabilities, as at the date when the transaction took effect, are reported in the following table and in the notes to the statement of financial position.

Ovaro business unit	07.01.2012
(thousands of Euros)	
Trade receivables	7,680
Inventories	6,833
Trade payables	(4,215)
Trade working capital	**10,298**
Other current assets	2
Other current liabilities	(608)
Non-current assets	11,299
Invested capital	**10,693**
Employee benefits and other provisions	(2,531)
Net invested capital	**18,460**
Net financial position	11,565
Total net assets sold	**6,895**

As the transaction took effect on July 1, 2012, the amounts in the income statement as at December 31, 2012 relate only to the first six months of business at the Ovaro mill. The notes to the changes in the income statement disclose the figures for the business unit for the second half of 2012.

1. Revenues from sales

These revenues arise essentially from sales of cartonboard:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Revenues from sales	230,774	284,150	(53,376)
Total revenues from sales	**230,774**	**284,150**	**(53,376)**

In 2012 revenues decreased by €53.4 million (18.8%) compared with 2011 of which €21.3 million was due to the sale of the Ovaro plant business unit to R.D.M. Ovaro S.p.A. which took place in 2012. The remaining decrease (11.3%) was due to the lower sales volumes and also the fall in sale prices.

The breakdown of sales revenues by geographic area is given below from which a general fall in both the domestic market (-15.2%) and in the overseas market (-48.6%) can be seen.

	12.31.2012	12.31.2011	Change	%
(thousands of Euros)				
Italy	145,296	171,273	(25,977)	(15.2%)
EU	43,040	56,240	(13,200)	(23.5%)
Non-EU	42,438	56,637	(14,199)	(25.1%)
Total revenues from sales	**230,774**	**284,150**	**(53,376)**	**(18.8%)**

2. Other revenues and income

Other revenues and income may be analyzed as follows:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Grants	268	607	(339)
Indemnities	466	847	(381)
Ordinary capital gains	265	58	207
Increases in assets	169		169
Rental income	211	9	202
Revenues for services	6,194	6,113	81
Revenues from sales of energy	5,910	5,836	74
Other revenues	762	1,245	(483)
Total	**14,245**	**14,715**	**(470)**

“Grants” consist mainly of ordinary contributions from Comieco in relation to the use of waste paper from public separated waste collection.

“Indemnities” refer to insurance payouts relating to accidents that occurred during the year.

“Revenues for services” relate to fees received for general services rendered to Group companies.

“Revenues from sales of energy” relate to amounts received from certain energy suppliers for joining the “interruption” scheme, to income from the sale of electricity in 2012, and to income from the use of gas storage rights.

“Other revenues” consist mainly of extraordinary income, in the form of collections from creditors’ arrangement procedures and VAT recovered following the closure of insolvency proceedings, and revenues from non-cartonboard sales.

Other revenues from the business unit sold to R.D.M. Ovaro S.p.A. stood at €0.4 million.

3. Change in inventories of finished goods

The change in inventories of finished goods (+€4.2 million) is due to the increased physical stocks in the warehouse compared with 2011.

4. Cost of Raw Materials and Services

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Cost of raw materials	**107,942**	**134,492**	**(26,550)**
Purchase of raw materials	105,282	134,089	(28,807)
Change in inventories of raw materials	2,660	403	2,257
Commercial services	**24,079**	**29,393**	**(5,314)**
Shipping	18,974	22,278	(3,304)
Commission and agents' costs	5,105	7,115	(2,010)
Industrial services	**54,736**	**62,155**	**(7,419)**
Energy	39,441	40,913	(1,472)
Maintenance	3,004	4,236	(1,232)
Waste disposal	6,305	8,122	(1,817)
Other industrial services	5,986	8,884	(2,898)
General services	**8,456**	**9,518**	**(1,062)**
Insurance	1,591	1,675	(84)
Legal, notarial, administrative and contractual services	2,579	2,758	(179)
Board of directors	839	828	11
Board of statutory auditors	166	166	
Postal and telecommunications	507	493	14
Other	2,774	3,598	(824)
Use of third-party assets	**1,322**	**1,220**	**102**
Rental and leasing	1,322	1,220	102
Total	**196,535**	**236,778**	**(40,243)**

The decrease in this item is attributable to both the lower sales volumes, and the sale of the Ovaro business unit (€16.9 million).

"Cost of raw materials" refers mainly to the purchase of products used to make the mixture (waste paper, wood paste, cellulose and chemicals) and used for packaging. In light of price dynamics in 2012, on which more information can be found in the Directors' Report, and the fall in consumption, these costs decreased slightly from 47.6% of the value of production in 2011 to 45.9% in 2012 (Revenues from sales" plus "Change in inventories of finished goods").

"Service costs" decreased as a result (€87.3 million at December 31, 2012 against €101.0 million at December 31, 2011), while their weighting as a percentage of value of production rose slightly from 35.8% at the end of December 2011 to 37.2%.

Energy costs may have decreased by €1.5 million (-3.6%), but in reality the decrease following the sale of the Ovaro business unit (€4.7 million in energy costs in the second half of 2012) was almost entirely offset by high market prices of gas, which is the Company's primary energy source. Costs for the "Use of third-party assets" at December 31, 2012 were down by 8.4% compared with consolidated figures at December 31, 2011.

5. Personnel costs

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Salaries and wages	22,665	26,725	(4,060)
Social security contributions	8,169	9,179	(1,010)
Allowance for defined-contribution plans	1,957	1,548	409
Other costs	914	133	781
Total	33,705	37,585	(3,880)

The decrease in labor costs compared with the previous year of approximately €3.9 million (10.3% in percentage terms) was due to the sale of the business unit for €3.1 million. The remainder of the decrease is due to the reduction in staff and hours worked, also as a result of the shut-down of paper-making operations at the Magenta plant, partly offset by the provisions needed to cover the costs of staff layoffs and annual contract increases.

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

Employees by category	12.31.2012	12.31.2011	Change
Executives	12	11	1
White-collars	168	212	(44)
Blue-collars	439	617	(178)
Total	619	840	(221)
Workers subject to wage guarantee fund	81	37	44
Active workforce	538	803	(265)

Average employees by category	12.31.2012	12.31.2011	Change
Executives	13	11	2
White-collars	179	219	(40)
Blue-collars	469	637	(168)
Total	661	867	(206)

During the course of the year the Company resorted to the wage guarantee fund to deal with brief and unexpected contingency situations which led to a halt in production at almost all plants. At the Magenta plant in 2012 the wage guarantee fund was used for a corporate crisis.

6. Other operating costs

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Provisions for risks	27		27
Provision for bad and doubtful receivables	261	180	81
Miscellaneous operating costs	2,418	2,019	399
Total	2,706	2,199	507

Other operating costs show an overall increase of 23.1% compared with the previous year, owing essentially to the new Single Municipal Tax (IMU) being higher than its predecessor the Municipal Property Tax (ICI). Specifically, there were more provisions for external trade receivables and for other risks.

"Miscellaneous operating costs" consists mainly of various taxes incurred by the Company, membership subscriptions to various industrial associations and trade bodies, and various contingent liabilities.

7. Depreciation and amortization

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

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Depreciation of tangible assets	518	517	1
Amortization of intangible assets	14,228	15,805	(1,577)
Total	**14,746**	**16,322**	**(1,576)**

Overall this item recorded a decrease of 9.7% going from €16.3 million at December 31, 2011 to €14.7 million at December 31, 2012 following the sale of the Ovaro plant business unit (€0.7 million) and the end of depreciation and amortization of some assets.

8. Write-downs

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Write-downs	1,914		1,914
Total	**1,914**		**1,914**

The write-down at December 31, 2012 refers to the write-down of paper-making equipment at the Magenta plant, whose value was adjusted to the fair value minus sales costs (current market value), based on the evaluation of an independent expert.

9. Net financial income (expense)

	12.31.2012	12.31.2011 (*)	Change
(thousands of Euros)			
Financial income	347	425	(78)
Income from subsidiaries and associates	333	421	(88)
Other income	14	4	10
Financial expense	(6,298)	(7,145)	847
Interest paid to subsidiaries and associates	(609)	(895)	286
Interest paid to banks	(4,373)	(4,609)	236
Losses on derivative financial instruments	(582)	(655)	73
Financial expense on defined-benefit plans	(414)	(537)	123
Expenses, commission and other financial charges	(320)	(449)	129
Gains (losses) on foreign exchange	(4)	132	(136)
Realized gains (losses) on foreign exchange:			
Realized gains on foreign exchange	1,020	1,932	(912)
Realized losses on foreign exchange	(1,173)	(1,642)	469
Unrealized gains (losses) on foreign exchange:			
Unrealized gains on foreign exchange	149		149
Unrealized losses on foreign exchange		(158)	158
Total	(5,955)	(6,588)	633

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Company's early adoption of IAS 19.

Net financial expense decreased by €0.6 million, of which €0.3 million was from the sale of the Ovaro plant business unit. The decrease in this item was also the result of a reduction in interest rates, partly, however, offset by the costs of the greater use of credit factoring.

This is due mainly to lower interest payments to banks and subsidiaries and associates, as well as to lower bank charges.

The item "Financial expense on defined-benefit plans" refers to the financial component of the provision for the year for the sole part of Interest costs. Following the early adoption of IAS 19, Actuarial gains/loss were recognized under equity.

10. Gains (losses) from investments

(thousands of Euros)	12.31.2012	12.31.2011	Change
Income from equity investments in subsidiaries	3,428	7,017	(3,589)
Dividends from Reno De Medici Arnsberg GmbH	3,000	6,000	(3,000)
Dividends from Emmaus Pack S.r.l.	298	617	(319)
Dividends from Cartiera Alto Milanese S.p.A.	130	400	(270)
Income from equity investments in associates	170	290	(120)
Dividends from Pac Service S.p.A.	170	290	(120)
Write-downs and charges on investments in subsidiaries and associates	(6,167)	(5,668)	(499)
Write-down on Reno Logistica S.r.l. in liquidation (now R.D.M. Ovaro S.p.A.)		(7)	7
Write-down on RDM Blendecques S.A.S.	(2,230)	(2,877)	647
Write-down on RDM Tissue Core S.r.l. in liquidation (now Carta Service Friulana S.r.l.)	(16)	(40)	24
Write-down on Reno De Medici Iberica S.L.		(1,485)	1,485
Write-down on Cartiera Alto Milanese S.p.A.		(1,259)	1,259
Write-down on Manucor S.p.A.	(3,361)		(3,361)
Write-down on Careo S.r.l.	(560)		(560)
Total	(2,569)	1,639	(4,208)

Investment expenses total €2.6 million compared with income of €1.6 million in the previous year. This decrease is due to the lower dividends distributed by subsidiaries (€-3.6 million) and the greater write-downs on equity investments (€0.5 million).

Investments in Manucor S.p.A. and in Careo S.r.l. were written-down, respectively, by €3.4 million and €0.4 million to adjust them to the fair value figures as indicated in Note 15. Provisions for losses were also recognized following the legal obligation to hedge the losses of €0.2 million recorded by Careo S.r.l.

Lastly, the equity investment of €2.2 million in the subsidiary RDM Blendecques S.A.S. had to be written down in the light of withdrawal of a part of the receivable due to the subsidiary which took place in the financial year.

11. Taxes

The item amounted to €1 million and breaks down as follows:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Current taxes	**(1,023)**	**(1,008)**	**(15)**
IRAP for the year	(1,148)	(1,350)	202
Tax credits pursuant to Law 296/06		111	(111)
Adjustment from previous years	16	(318)	334
Income from tax consolidation (IRES)	109	549	(440)
Deferred taxes	**50**	**5,962**	**(5,912)**
IRES		5,922	(5,922)
IRAP	50	40	10
Total	**(973)**	**4,954**	**(5,927)**

In 2011 the "IRES" (Italian corporate income tax) item under "Deferred taxes" included the recording of deferred tax assets pursuant to Legislative Decree no. 98 of July 6, 2011 (the so-called "2011 Emergency Budget"), amended and converted into Law no. 111 of July 15, 2011. While this legislation excludes time limits on the ability to carry forward previous tax losses, it does introduce a quantitative limit on their use (80%). More information can be found in Note 27.

The change in IRAP for the year ended is related to the decrease in taxable income, as well as the sale of the Ovaro business unit (€0.1 million).

"Income from tax consolidation (IRES)" relates to the transfer of taxable income and/or tax losses from consolidated companies to the Parent Company Reno De Medici S.p.A.

Reconciliation between the Theoretical and Actual Tax Burden (IRES)

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

The Company did not generate taxable profits in 2012.

IRES	Taxable income	% IRES	12.31.2012
(thousands of Euros)			
Profit (loss) before taxes	(8,958)		
Theoretical tax burden		27.50%	-
Reversal of temporary differences from previous years	(1,204)		
Temporary differences which will be reversed in future years	4,267		
Permanent differences which will not be reversed in future years	4,230		
Total differences	7,293		
Use of previous tax losses	-		
Actual tax burden	(1,665)	27.50%	-

Reconciliation between the Theoretical and Actual Tax Burden (IRAP)

IRAP	Taxable income	% IRAP	12.31.2012
(thousands of Euros)			
Difference between value and cost of production (excluding B9, B10 c), d) and B12 and B13)	35,473		
Financial statements reclassifications	-		
Costs for accident insurance and ‘cuneo fiscale’ (tax wedge) deductions	(11,104)		
Total	24,369		
Theoretical tax burden		3.90%	950
Permanent differences owing to higher regional rates	2,459		
Reversal of temporary differences from previous years	(157)		
Permanent differences which will not be reversed in future years	2,765		
Total differences	5,067		
Actual tax burden	29,436	3.90%	1,148
Effective tax rate		4.71%	

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

12. Tangible fixed assets

Changes in intangible assets during 2012 and 2011 were as follows:

Tangible fixed assets	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under development and payments on account	Total
(thousands of Euros)							
Historical cost	22,145	74,864	416,498	1,994	9,125	8,402	533,028
Accumulated depreciation/write-downs	-	(38,610)	(324,891)	(1,968)	(9,028)	-	(374,497)
Net book value at 12.31.10	**22,145**	**36,254**	**91,607**	**26**	**97**	**8,402**	**158,531**
Increases		1,701	10,664	175	9	1,545	14,094
Decreases		(50)	(1,099)		(10)		(1,159)
Reclassification of cost		495	7,221	27	4	(7,747)	-
Depreciation and amortization for the year		(2,540)	(13,206)	(13)	(47)		(15,806)
Decrease of acc. depr.			1,057		10		1,067
Value at 12.31.2011							
Historical cost	22,145	77,010	433,284	2,196	9,128	2,200	545,963
Accumulated depreciation/write-downs	-	(41,150)	(337,040)	(1,981)	(9,065)	-	(389,236)
Net book value at 12.31.11	**22,145**	**35,860**	**96,244**	**215**	**63**	**2,200**	**156,727**

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under development	Total
(thousands of Euros)							
Historical cost	22,145	77,010	433,284	2,196	9,128	2,200	545,963
Accumulated depreciation/write-downs		(41,150)	(337,040)	(1,981)	(9,065)		(389,236)
Net book value at 12.31.2011	**22,145**	**35,860**	**96,244**	**215**	**63**	**2,200**	**156,727**
Increases		152	9,580	49	5	1,183	10,969
Decreases			(1,626)				(1,626)
Reclassification of cost		19	407	(17)		(409)	
Ovaro sale			(61,825)	(425)	(79)	(146)	(62,475)
Amortization for the year		(2,494)	(11,670)	(34)	(29)		(14,228)
Decrease of acc. depr.			1,626				1,626
Write-downs			(1,914)				(1,914)
Reclassification of fund			(17)	17			
Ovaro sale			50,838	278	65		51,181
Value at 12.31.2012							
Historical cost	22,145	77,181	379,820	1,803	9,054	2,828	492,830
Accumulated depreciation/write-downs		(43,644)	(298,177)	(1,720)	(9,029)		(352,570)
Net book value at 12.31.2012	**22,145**	**33,537**	**81,643**	**83**	**24**	**2,828**	**140,260**

Following the sale of the Ovaro business unit, the plant intangible assets, were transferred to R.D.M. Ovaro S.p.A., with the exception of the land and buildings, which remain the property of RDM.

"Land" includes the areas pertaining to mills at Magenta (MI), Santa Giustina (BL), Ovaro (UD), Villa Santa Lucia (FR), and Marzabotto (BO).

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

Capital expenditure in 2012 amounted to €11.0 million (€14.1 million in 2011).

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

- Villa Santa Lucia mill: a new technology project, that included the installation of a 'curtain coater', a piece of equipment that allows the reduction of the cost of the recycled fibers raw materials;

- Santa Giustina mill: upgrading and modernization of the production line, with significant investments in the safety system in order to obtain OHSAS 18001 certification.

"Reclassification of cost" relates to the entry into service of "Assets in course of construction" at the end of the previous year.

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

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

Rights (mortgages and privileges) totaling €318.1 million attached to owned property, plant and machinery are pledged in favor of banks as security on loans for which the outstanding balance at December 31, 2012 amounted to €44.1 million.

As at the reporting date, the company conducted impairment tests in accordance with IAS 36, adjusting some assets at the Magenta mill to fair value less costs to sell, resulting in a write-down of €1.9 million.

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

13. Intangible Assets

Changes in intangible assets during 2012 and 2011 were as follows:

Other intangible assets	Concessions, licenses, trademarks and similar rights	Assets under development	Total
(thousands of Euros)			
Net book value at 12.31.10	1,686	-	1,686
Increases	159	133	292
Depreciation and amortization for the year	(517)		(517)
Net book value at 12.31.11	1,328	133	1,461

Other intangible assets	Concessions, licenses, trademarks and similar rights	Assets under development	Total
(thousands of Euros)			
Net book value at 12.31.11	1,328	133	1,461
Increases	142	169	311
Depreciation and amortization for the year	(518)		(518)
Reclassification of cost	43	(43)	
Ovaro sale	(5)		(5)
Net book value at 12.31.12	990	259	1,249

“Concessions, licenses trademarks and similar rights” relate to costs incurred for the purchase of software licenses.

“Financial assets in progress” relate to projects started up as part of the strengthening of the Company’s operational systems.

There have been no revaluations or write-downs of intangible assets during the year.

14. Investments in Subsidiaries

	Historical cost 12.31.2011	Provision for losses on investment 12.31.2011	Net value 12.31.2011	Increase (Decrease) in investments	Historical cost 12.31.2012	Iincrease (Decrease) in impairment provision	Provision for losses on investment 12.31.2012	Net value 12.31.2012
	A	B	C=A+B	D	E=A+D	F	G=B+F	H=E+G
(migliaia di Euro)								
Cartiera Alto Milanese S.p.A.	2,864	(1,625)	1,239		2,864		(1,625)	1,239
Reno De Medici Arnsberg GmbH	54,113		54,113		54,113			54,113
Reno De Medici UK Ltd	1,717		1,717		1,717			1,717
Cascades Grundstuck GmbH	3,464		3,464		3,464			3,464
Emmaus Pack S.r.l.	108		108		108			108
R.D.M. Ovaro S.p.A. (ex.Reno Logistica S.r.l. in liquidazione)	493	(493)		9,507	10,000	493		10,000
RDM Blendecques S.a.s.				2,200	2,200	(2,200)	(2,200)	
Reno De Medici Iberica S.L.	111,918	(71,193)	40,725	(31,595)	80,323		(71,193)	9,130
Totale	**174,677**	**(73,311)**	**101,366**	**(19,888)**	**154,789**	**(1,707)**	**(75,018)**	**79,771**

June 2012 saw the completion of the sale of the Ovaro plant (UD) business unit to R.D.M. Ovaro S.p.A., formerly Reno Logistica S.r.l. in liquidation. Following this transaction the company's share capital increased by €12.5 million of which €10 million was subscribed by Reno De Medici S.p.a. and €2.5 million by Finanziaria Regionale Friuli-Venezia Giulia S.p.A. See the Directors' Report for more details.

In May 2012 the liquidation of the former Reno Logistica S.r.l. in liquidation was revoked (now R.D.M. Ovaro S.p.A.) and as a result the investment value was reduced to zero.

In August 2012 the Reno De Medici Iberica S.L. shareholders' meeting approved a reduction of the share capital by €31.6 million taking it from €39.1 million to €7.5 million, as a result the investment was reduced to €9.1 million. Following the transaction, the Parent Company reduced its debt to the Spanish subsidiary by €31.6 million.

The following table shows the Company's percentage shareholding, the subsidiary's share capital, the subsidiary's shareholders' equity and the subsidiary's result for 2012. These data are presented in accordance with IFRS, except for Cartiera Alto Milanese S.p.A. and Emmaus Pack S.r.l., whose data are shown in accordance with national accounting principles.

(thousands of Euros)	Registered office	Direct investment share	Share capital at 12.31.2012	Shareholders' equity at 12.31.2012	Profit (loss) for the year
Cartiera Alto Milanese S.p.A.	Milan (IT)	100%	200	1.112	53
Reno De Medici Arnsberg GmbH	Arnsberg (DE)	94%	5,113	57,961	(1,923)
Reno De Medici UK Ltd	Wednesbury (GB)	100%	11,658	1,529	(659)
Cascades Grundstuck GmbH	Arnsberg (DE)	100%	10	305	(7)
Emmaus Pack S.r.l.	Milan (IT)	51.39%	200	1,195	304
R.D.M. Ovaro S.p.A.	Milan (IT)	80%	12,500	9,381	621
RDM Blendecques S.A.S.	Blendecques (FR)	100%	1,037	(3,725)	(1,228)
Reno De Medici Iberica S.L.	Prat de Llobregatt (ES)	100%	7,467	8,277	(379)

Reno De Medici Arnsberg GmbH is held directly at 94% and indirectly at 6% through Cascades Grundstück GmbH & Co. KG.

In 2012 it was not necessary to include a risk provision for losses reported by the subsidiary RDM Blendecques S.A.S., given that following the withdrawal of a part of the receivables (€2.2 million) of the investee, the subsidiary showed net equity equal to €1.1 million in its separate financial statement as at December 31, 2012.

In view of the different carrying amounts of the investments compared to the pro-rata value of net equity, the company conducted an impairment test on the investment value which confirms its carrying amount.

15. Investments in Associates and Joint Ventures

The table below shows equity investments in associates and companies defined as joint ventures:

	Registered office	Investment share	Financial statements value 12.31.2011	Increases 9decreases)	Financial statements value 12.31.2012
(thousands of Euros)					
Careo S.r.l.	Milan (IT)	70%	386	(386)	0
Manucor S.p.A.	Milan (IT)	22.75%	4,802	(3,361)	1,441
Pac Service S.p.A.	Vigonza (IT)	33.33%	387		387
Carta Service Friuliana S.r.l.	Milan (IT)	51%		30	30
Zar S.r.l.	Silea (IT)	33.33%	30		30
Total			**5,605**	**(3,717)**	**1,888**

The table below summarizes the key figures from the statement of financial position and the income statement of Careo S.r.l., Manucor S.p.A., Pac Service S.p.A., Carta Service Friulana S.r.l. (formerly RDM Tissue Core S.r.l. in liquidation) and ZAR S.r.l. as at December 31, 2012, approved by the respective boards of directors:

	Careo S.r.l.	Manucor S.p.A.	Pac Service S.p.A.	Carta Service Friuliana S.r.l.	Zar S.r.l.
(thousands of Euros)					
Total assets	12,532	124,887	10,644	181	1,113
Shareholders' Equity	(181)	6,331	5,607	56	92
Other liabilities	12,713	118,556	5,037	125	1,021
Value of production	14,275	154,609	15,400		11,820
Profit (loss) for the year	(459)	(9,864)	600	(4)	3

In relation to the investment in Manucor S.p.A. an impairment test was conducted to verify the existence of any losses in value, comparing the recoverable amount net of the net financial position (NFP) at December 31, 2012 ("Economic Value") with the related carrying value as at December 31, 2012; following this test the write-down for the above investment was equal to €3.4 million.

The carrying value of the investment in Careo S.r.l. was zeroed in the presence of the impairment indicators: specifically the company, following the consolidated losses in 2012, had negative equity. In the light of the legal hedging obligation, a provision of €0.2 million was set aside (see note 29).

16. Available-for-sale financial assets

This item includes equity investments in other companies and other non-current financial assets, as shown below:

(thousands of Euros)	Registered office	Investment share	Financial statements value 12.31.2011	Increases (decreases)	Financial statements value 12.31.2012
C.I.A.C. S.c.r.l.	Valpenga (TO) - Italy	Consortium share	1		1
Cartonnerie Tunisienne S.A.	Les Berges Du Lac - Tunis	5.274%	121		121
Comieco	Milan - Italy	Consortium share	43	(4)	39
Conai	Milan - Italy	Consortium share	23		23
Consorzio Filiera Carta	Isola del Liri (Fr) - Italy	Consortium share	5		5
Energymont S.p.A.	Tolmezzo - Italy	2.020%			
Gas Internsive S.c.r.l.	Milan - Italy	Consortium share	1		1
Idroenergia S.c.r.l.	Aosta - Italy	Consortium share	1		1
Total financial assets			195	(4)	191

The non-current portion of "Available-for-sale financial assets" consists mainly of the €0.1 million investment in Cartonnerie Tunisienne S.A. and of other minor investments in syndicates. As their fair value cannot be reliably measured, these investments are accounted for at cost, adjusted for any impairment.

17. Other Current and Non-Current Receivables

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

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Guarantee deposits	280	122	158
Other receivables	16	16	
Non-current receivables	296	138	158
Tax receivables	355	1,750	(1,395)
Miscellaneous receivables	616	633	(17)
Accrued income	332	144	188
Financial receivables	355		355
Current receivables	1,658	2,527	(869)
Total	1,954	2,665	(711)

Non-current miscellaneous receivables are receivables from companies in liquidation as well as a deposit in favor of a factoring company (€0.1 million).

The current portion of "Tax receivables" relates mainly to tax credits. In 2011 this item included the withholding-tax credit in Germany which was reimbursed in 2012.

Current miscellaneous receivables include a second deposit made in favor of a factoring company (€0.3 million) and receivables from social security authorities for advances made during recourse to the wage guarantee fund (€0.1 million).

"Prepaid expenses" refer mainly to various service costs, insurance and rentals.

"Financial receivables" are receivables from a factoring company following the sale of a loan without recourse.

18. Inventories

The table below provides a breakdown of inventories at December 31, 2012:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Raw and ancillary materials and consumables	16,150	22,141	(5,991)
Provisions for obsolescence	(626)	(454)	(172)
Finished goods and goods for resale	23,238	23,295	(57)
Total	38,762	44,982	(6,220)

Following the sale of the Ovaro plant, €6.8 million of inventories were transferred, of which €2.6 million was raw and ancillary materials and consumables, and €4.2 million was finished goods and goods for resale.

19. Trade receivables

The table below shows the changes in trade receivables from third parties, which amounted to €30.5 million as at December 31, 2012:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Trade receivables	30,473	45,420	(14,947)
Current trade receivables	30,473	45,420	(14,947)

The decrease in receivables over the previous year was caused by the sale of the Ovaro plant business unit (€7.7 million at the sale date), the fall in revenues from sales and the development of the non-recourse factoring program (€20.5 million compared with €14.4 million at December 31. 2011). The item is stated net of €2.7 million of provisions for bad and doubtful receivables. The table below sets out the changes for the year in those provisions:

	12.31.2011	Provisions	Sale to Ovaro	Drawings	12.31.2012
(thousands of Euros)					
Provisions for bad and doubtful receivables	2,592	262	(45)	(105)	2,704
Total	2,592	262	(45)	(105)	2,704

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

(thousands of Euros)	12.31.2012	12.31.2011
Italy	22,793	33,694
EU	2,825	4,885
Rest of the World	4,855	6,841
Total	30,473	45,420

20. Receivables from Group Companies

"Receivables from group companies", equal to €23.5 million, break down as follows:

(thousands of Euros)	12.31.2012	12.31.2011	Change
Receivables from subsidiaries	22,804	17,737	5,067
Total receivables from subsidiaries	**22,804**	**17,737**	**5,067**
Receivables from joint ventures	650	1,071	(421)
Total receivables from joint ventures	**650**	**1,071**	**(421)**
Total receivables from Group companies	**23,454**	**18,808**	**4,646**

"Receivables from subsidiaries", equal to €22.8 million, break down as follows:

(thousands of Euros)	12.31.2012	12.31.2011	Change
Cartiera Alto Milanese S.p.A.	5,947	4,698	1,249
Emmaus Pack S.r.l.	6,782	6,501	281
Reno De Medici Iberica S.L.	2,331	1,688	643
R.D.M. Ovaro S.p.A.	1,137		1,137
Reno De Medici Arnsberg Gmbh	3,761	808	2,953
RDM Blendecques S.A.S.	2,562	3,385	(823)
Reno De Medici UK Ltd	284	657	(373)
Total receivables from subsidiaries	**22,804**	**17,737**	**(5,067)**

Receivables from subsidiaries include €260 thousand arising from the tax consolidation scheme, of which €47 thousand relates to the participation of Cartiera Alto Milanese S.p.A. and €213 thousand to the participation of Emmaus Pack S.r.l.

"Receivables from associates and joint ventures" break down as follows:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Careo S.r.l.	523	706	(183)
Carta Service Friuliana S.r.l. (formerly R.D.M. Tissue Core S.r.l. in liquidation)	127	365	(238)
Total receivables from joint ventures	650	1,071	(421)

These receivables, which result from commercial relations and relations connected to the provision of services by the Company to its subsidiaries, associates and joint ventures, are settled under normal market conditions.

Receivables from Careo S.r.l. include €65 thousand arising from participation in the tax consolidation scheme.

21. Other Receivables from Group Companies

These receivables relate to the cash-pooling arrangement with Group companies:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
R.D.M. Ovaro S.p.A. (formely Reno Logistica S.r.l. in liquidation)		322	(322)
Emmaus Pack S.r.l.	1,213	897	316
RDM Blendecques S.A.S.	2,837	7,925	(5,088)
Reno De Medici UK Ltd	130		130
Total receivables from subsidiaries	4,180	9,144	(4,964)
Careo S.r.l.		869	(869)
Zar S.r.l.	90		90
Total receivables from joint ventures	90	869	(779)
Total receivables from Group companies	4,270	10,013	(5,743)

22. Net Financial Position

The table below provides a breakdown of the net financial position at December 31, 2012 and 2011:

(thousands of Euros)	12.31.2012	12.31.2011	Change
Cash	11	10	1
Funds available from banks	2,618	2,189	429
A. Cash and cash equivalents	2,629	2,199	430
Other Receivables from Group Companies	4,270	10,013	(5,743)
Other receivables	355		355
B. Current financial receivables	4,625	10,013	(5,388)
1. Current payables to banks	*26,015*	*27,819*	*(1,804)*
2. Current portion of medium- and long-term loans	*11,881*	*12,088*	*(207)*
3. Payables to other lenders	*52*		*52*
Payables to banks and other lenders (1+2+3)	37,948	39,907	(1,959)
Other Payables to Group Companies	13,043	32,428	(19,385)
Derivatives - current financial liabilities	580	464	116
C. Current financial debt	51,571	72,799	(21,228)
D. Net current financial debt (C - A - B)	44,317	60,587	(16,270)
Payables to banks and other lenders	30,895	42,776	(11,881)
Financial payables to subsidiaries	1,429	6,370	(4,941)
Derivatives - non-current financial liabilities	703	1,022	(319)
E. Non-current financial debt	33,027	50,168	(17,141)
F. Net financial debt (D+E)	77,344	110,755	(33,411)

The Company had net financial debt of €77.3 million at December 31, 2012 (compared with €110.8 million at December 31, 2011). The decrease (€33.4 million) is mainly attributable to the reduction in share capital in the investee company Reno De Medici Iberica S.L. (€31.6 million) as commented upon in Note 14. The actions undertaken for containing working capital through greater recourse to non-recourse factoring and rigorous credit management continued. Short-term payables to banks, equal to €26 million, consist of trade financings made up mainly of lines for the sale of receivables from customers.

“Other receivables from Group companies” and “Other payables from Group companies” result from cash-pooling transactions carried out as part of the Group’s centralized financial management.

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

	within 12 months	over 12 months	over 60 months	total
(thousands of Euros)				
M.I.C.A. - due February 13, 2017		624		624
M.I.C.A. - due October 16, 2014		154		154
San Paolo Imi - due April 6, 2016	3,276	8,190		11,466
San Paolo Imi fin.pool - tranche A - due 4/6/2016	6,280	15,701		21,981
San Paolo Imi fin.pool - tranche B - due 4/6/2016	2,000	5,000		7,000
Banca Pop.Emilia Romagna - due 5/15/2016	620	1,550		2,170
Total nominal debt	12,176	31,219		43,395
Amortized cost effect	(295)	(324)		(619)
Total debt using amortized cost method	11,881	30,895		42,776

RDM is bound by certain restrictions and commitments with thresholds for the syndicated loan that are normal for loans of this nature; amongst these are limitations on obtaining additional debt, on distributing dividends, on granting guarantees (a negative pledge), on disposing of core assets, on making investments and on carrying out extraordinary financial transactions.

In particular, this loan requires 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.

These ratios are calculated every six months on the basis of the figures stated in the Group’s consolidated annual and half-year financial statements, starting from December 31, 2006. In October 2009, the negotiations with Intesa Sanpaolo and UniCredit for the rescheduling of the loans originally arranged in 2006 were formally concluded with the signing of an Amending Agreement.

Among other things, the new terms provide for a reformulation of debt servicing, with two years of grace being given for the repayment of the principal, depending on the investments made by the

Reno De Medici Group. Repayment will be made in equal instalments, with the final due date remaining as 2016.

Such terms have made it possible to comply with the financial commitments relating to RDM's investment plans from 2009 to 2011 exceeding routine levels (totaling about €15 million), and are necessary for the further optimization of production activities. They have made it possible to optimize the division of RDM's financial debt between short- and medium-to-long-term sources.

The Amending Agreement provides in addition for changes to the contractual covenants, which are now based on revised parameters, and the postponement of the call options available to Reno De Medici (from 2010 to 2012) and the put options available to Cascades S.A.S. (from 2011 to 2013) in accordance with the Combination Agreement signed in 2007 by the parties for the purchase by Reno De Medici of two mills located in France and Sweden currently owned by Cascades S.A.S. and dedicated to the production of cartonboard from virgin fibers, as well as the means by which these options may be exercised.

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 agreement.

As at December 31, 2012, the above-mentioned financial parameters were satisfied.

In 2012 principal repayments of €12.5 million were made.

In terms of guarantees, the Parent Company loan agreement requires, inter alia, RDM to provide mortgages on the Ovaro, Marzabotto, Magenta, Ovaro, Santa Giustina and Villa Santa Lucia mills, in the total amount of €120 million. These guarantees relate to the syndicated loan.

Special liens on the Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia mills' plant and machinery are given as guarantees, in the total amount of €120 million. The special privilege for assets subject of the sale to R.D.M. Ovaro S.p.A. was cancelled with the approval of the beneficiary banks issued on February 18, 2013.

A variable-rate loan agreement was concluded with Banca Popolare dell'Emilia Romagna on April 13, 2006 in the amount of €6.2 million. The loan falls due on May 15, 2016 and is repayable in half-yearly instalments. In addition, a variable-rate loan agreement was concluded with Banca Sanpaolo Imi on December 31, 2006 in the amount of €14.7 million. The loan has been disbursed in full and falls due on April 6, 2016. The above loans also entailed, respectively, the granting of mortgages on the mills located at Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia in the total amount of €40.6 million, and of special liens and mortgages on the plant and machinery installed at the mills in Magenta, Santa Giustina and Villa Santa Lucia in the amount of €29.5 million.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2012. More information on the derivative instruments outstanding as at December 31, 2012 can be found in Note 25.

23. Non-current assets held for sale

In 2011 the item "Non-current assets held for sale" referred to plant and machinery at the Marzabotto mill for which a sale agreement was drawn up at the end of 2011; the disposal was finalized during 2012.

24. Shareholders' Equity

Changes in shareholders' equity during 2012 are set out in the following table:

		Changes in the year					
Description	Shareholders' equity at 12.31.2011 (*)	Allocation of the profit (*)	*"Actuarial gain/(loss)"*	Other reserves	*Hedge accounting*	Profit (loss) for the year	Shareholders' equity at 12.31.2012
(thousands of Euros)							
Share capital	185,122						185,122
Share premium account							
Legal reserve	208	200					408
Other reserves:							
- Extraordinary reserve	1,150						1,150
- Hedging reserve	(703)				141		(562)
- Ovaro sale reserve				3,105			3,105
- Actuarial gain (loss) reserve	(122)		(1,508)				(1,630)
Retained profits (losses)	(36,616)	3,926					(32,690)
Profit (loss) for the year	4,126	(4,126)				(9,932)	(9,932)
Total	**153,165**		**(1,508)**	**3,105**	**141**	**(9,932)**	**144,971**

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Company's early adoption of IAS 19.

The Shareholders' Meeting of April 27, 2012 resolved to allocate the Company's 2011 profit of €4,003,891.49 as follows:

a) €200,194.57 to the legal reserve pursuant to article 2430 of the Italian Civil Code;

b) €3,803,697.92 to cover past losses.

Note that following the early adoption of IAS 19, Actuarial Gains/Losses were accounted for in an equity reserve. As a result, the amount relating to 2011 (€122 thousand) was reclassified from the profit and loss for the year to the equity reserve.

In addition, based on OPI1, the difference between the transaction price and the existing book value of the assets sold to R.D.M. Ovaro S.p.A. was recorded in a special equity reserve ("Ovaro sale reserve") since the sale was conducted on a going-concern basis.

The table below shows the number of outstanding shares as at December 31, 2012 and December 31, 2011:

	12.31.2012	12.31.2011	Change
Shares issued	377,800,994	377,800,994	
Treasury Shares			
Total shares outstanding	377,800,994	377,800,994	

In accordance with article 5 of the Company's bylaws, holders of savings shares may convert such shares to ordinary shares in February and September each year.

In 2012, 2,574 savings shares were converted to ordinary shares. As a result of this, the share capital at December 31, 2012, fully subscribed and paid-up, could be broken down as follows:

	Number	Unit par value	Total value
Ordinary shares	377,473,987	€0.49	184,962,253.63
Savings shares	327,007	€0.49	160,233.43
Total	**377,800,994**		**185,122,487.06**

In February 2013, 4,370 savings shares were converted to ordinary shares with dividend entitlement as of January 1, 2012.

RDM's bylaws state that if during any one financial year savings shareholders are awarded a dividend which is less than 5% of the nominal value of the shares (€0.49), then the difference is added to the preferred dividend in the subsequent two years. No dividends were awarded in 2011 and 2012.

The table below provides a breakdown of each item of shareholders' equity by availability, origin and use in previous years, as required by article 2427, no. *7-bis* of the Italian Civil Code:

Description	Amount at 12.31.2012	Possibilities of use (1)	Available portion	Summary of use in the years 2011 - 2010 - 2009	
				to cover losses	for other purposes
(thousands of Euros)					
Share capital	185,122				
Legal reserve	408	B			
Other reserves:					
- Extraordinary reserve	1,150	A,B,C	1,150		
- Hedging reserve	(562)				
- Ovaro sale reserve	3,105				
- Actuarial gain (loss)	(1,630)				
Previous retained profits (losses)	(32,690)				
Total	**154,903**		**1,150**		
Non-distributable portion					
Distributable portion remaining			**1,150**		
(1)					
A) to increase share capital					
B) to cover losses					
C) to distribute to shareholders					

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

	12.31.2012			12.31.2011 (*)		
	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
(thousands of Euros)						
Change in fair value of cash flow hedges	*194*	*(53)*	*141*	*138*	*(38)*	*100*
"Actuarial gain/(loss)"	*(1,508)*		*(1,508)*	*(122)*		*(122)*

(*) Figures as of December 31, 2011 were reclassified in order to make them comparable to those for the reporting period following the Company's early adoption of IAS 19.

25. Derivative instruments

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2012.

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Derivative financial instruments (hedge accounting)	622	871	(249)
Derivative financial instruments (no hedge accounting)	81	151	(70)
Non-current liabilities	703	1,022	(319)
Derivative financial instruments (hedge accounting)	503	430	73
Derivative financial instruments (no hedge accounting)	77	34	43
Current liabilities	580	464	116
Total	1,283	1,486	(203)

As at December 31, 2012, the derivative financial instruments represented by interest rate swaps had a fair value of -€1,283 thousand.

The table below shows the main features of the derivative financial instruments outstanding as at December 31, 2012.

Company	Counter-party	Currency	Due	Notional value (€/000)	Interest	Payment of interest	*Derivative fair value (€/000)*
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	04.06.2016	10,500	4.11% fixed	half-yearly	(750)
					Euribor 6m		
Reno De Medici S.p.A.	Unicredit Banca d'impresa S.p.A.	Eur	04.06.2016	5,250	4.11% fixed	half-yearly	(375)
					Euribor 6m		
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	05.15.2016	2,170	4.15% fixed	half-yearly	(158)
					Euribor 6m		
				17,920			(1,283)

26. Other Current and Non-Current Payables

The table below provides a breakdown of other current and non-current payables:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Deferred income	287	339	(52)
Miscellaneous payables	1,204	1,204	
Other non-current payables	1,491	1,543	(52)
Payables to personnel	1,476	1,777	(301)
Payables to social security authorities	2,114	2,283	(169)
Tax payables	837	2,585	(1,748)
Miscellaneous payables	198	170	28
Company bodies	646	491	155
Accrued expenses and deferred income	52	52	
Other current payables	5,323	7,358	(2,035)
Total other payables	6,814	8,901	(2,087)

"Other non-current payables" amounted to €1.5 million at December 31, 2012 and were in line with the previous year.

The non-current portion of "Deferred income" relates to a grant of €0.3 million under Law no. 488 for the Villa Santa Lucia mill; the portion of the grant that will exceed five years amounts to €0.1 million.

The non-current portion of "Miscellaneous payables" relates to the €1.2 million payment from Cascades S.A.S. for the virgin-fiber client list. This payment, as defined in the Combination Agreements entered into with the Cascades Group, has not been recorded as income since RDM retains "continuing managerial involvement", as defined by IAS 18, because of the put and call options in place on the virgin-fiber cartonboard production assets of Cascades S.A.S.

The current portion of "Other payables" at December 31, 2012 stood at €5.3 million compared with €7.4 million for the previous year. The decrease is due to a decrease in the VAT payable at the end of the year and to the assignment of certain debts, mainly traceable to personnel, following the sale of the Ovaro plant business unit (€0.6 million).

The item "Payables to personnel" mainly includes payables for deferred compensation. This item also fell following less hours worked and the reduction in staff.

"Payables to social security authorities" relate mainly to social security contributions due on current wages and salaries acknowledged to employees in December and paid in January 2013, and to provisions for social security contributions due on deferred compensation (employee leave, additional months' salaries paid as a bonus, and overtime). The decrease in the item is related to the fall in "Payables to personnel".

"Tax payables" relate to VAT payables, to withholding tax due on remuneration paid to employees in December, and to miscellaneous tax payables. The decrease is mainly due to the decrease in VAT payable.

The current portion of "Miscellaneous payables" fell mainly as a result of the payment to local authorities of taxes for previous years.

"Deferred income" relates mainly to the portion of the Law no. 488 grant pertaining to the next financial year.

27. Deferred taxes

Changes in deferred taxes were as follows:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Non-current liabilities	573	570	3
Total deferred tax	573	570	3

The table below provides a summary of the calculation of deferred tax assets and deferred tax liabilities from temporary differences as at December 31, 2012:

Taxes	12.31.2012			12.31.2011		
	Temporary differences	Tax %	Tax effect	Temporary differences	Tax %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	**30,537**		**7,761**	**30,866**		**7,876**
Tax losses to carry forward	23,136	27.50%	6,363	19,924	27.50%	5,479
Write-downs for extended impairment	1,820	3.90%	71	1,820	3.90%	71
Inventory write-downs	626	3.90%	24	322	3.90%	12
Provisions for future charges (IRAP)	209	3.90%	8	410	3.90%	16
Provisions for future charges (IRES)	237	27.50%	65	304	27.50%	84
Other temporary differences (IRAP)	42	3.90%	2	42	3.90%	2
Other temporary differences (IRES)	1,128	27.50%	310	1,256	27.50%	345
Valuation of derivatives with hedge accounting	776	27.50%	213	970	27.50%	267
Non-deductible interest expense	2,563	27.50%	705	5,818	27.50%	1,600
Recognized deferred tax liabilities	**27,065**		**8,334**	**27,302**		**8,446**
Depreciation in excess of capital allowance	22,856	31.40%	7,177	24,041	31.40%	7,550
Capital gains payment in instalments	948	27.50%	261	-	3.90%	-
Other temporary differences (IRES)	49	27.50%	13	49	27.50%	13
Misalignment of TFR for IFRS application	3,212	27.50%	883	3,212	27.50%	883
Net recognized deferred tax (assets) liabilities			**573**			**570**
Unrecognized deferred tax assets	**28,938**		**7,958**	**31,659**		**8,706**
Write-downs for extended impairment	2,211	27.50%	608	3,582	27.50%	985
Inventory write-downs	626	27.50%	172	322	27.50%	89
Bad and doubtful receivables	1,389	27.50%	382	1,667	27.50%	458
Provisions for future charges (IRES)	2,137	27.50%	588	3,146	27.50%	865
Non-deductible interest expense	3,619	27.50%	995	553	27.50%	152
Tax losses to carry forward	17,837	27.50%	4,905	22,080	27.50%	6,072
Tax loss for the year	1,119	27.50%	308	309	27.50%	85
Unrecognized deferred tax assets			**7,958**			**8,707**

As at December 31, 2012, deferred tax liabilities were offset by deferred tax assets where conditions specified in IAS 12 were met, notably where the two items relate to income taxes levied by the same tax authority and where there is a legally enforceable right to offset in this manner.

The origin of these deferred tax liabilities lies mostly in the excess of the statutory carrying amounts of certain fixed asset-items over their tax bases. This situation arose following the allocation of the surplus that emerged during the 1998 merger and the effects of the transition to IFRS. Deferred tax liabilities therefore represent the future tax expense that will be incurred by the Company as a consequence of the fact that a portion of annually accounted depreciation will not be deductible from taxable income calculated for IRES and IRAP purposes.

Deferred tax assets are recognized where it is probable that the Company will have taxable income in the future, including the deferral of taxable temporary differences to future years, that will allow the utilization of deductible temporary differences or tax losses carried forward. Deferred tax assets have been recognized on the portion of previous tax losses and interest expense not deducted in previous years for the share deemed to be recoverable from future taxable income identified in the Company's business plans. This is possible because Legislative Decree no. 98 of July 6, 2011 (the so-called "2011 Emergency Budget") allows tax losses to be carried forward for an unlimited time.

The table below shows the previous tax losses of the Company in its role as the tax-consolidating company, totaling €42.1 million as at December 31, 2012, posted under the year in which they first arose:

Previous tax losses	2006	2007	2008	2012	Total
(thousands of Euros)					
Reno De Medici S.p.A. – Italian national tax consolidation scheme	24,594	10,460	5,919	1,119	42,092
Total tax losses	24,594	10,460	5,919	1,119	42,092

28. Employee benefits

The table below shows a comparison between the situation at December 31, 2011 and December 31, 2012:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Employee benefits - TFR	9,767	11,195	(1,428)
Non-current employee benefits	9,767	11,195	(1,428)
Employee benefits - TFR	25	264	(239)
Current employee benefits	25	264	(239)
Total	9,792	11,459	(1,667)

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

The actuarial valuation of TFR as at December 31, 2012, in accordance with IAS 19, was made by an independent actuary on the basis of information provided by the Company.

The following demographic assumptions were used by the actuary:

- RG48 table was used to estimate mortality rates (source: *Ragioneria Generale dello Stato*, which is the Italian State General Accounting Department);
- INPS table broken down by age and gender was used to estimate incapacity rates;
- for the purposes of estimating pension requirements, it was assumed that workers will meet the minimum requirements of the *Assicurazione Generale Obbligatoria* (Compulsory General Insurance);
- an annual turnover frequency of 5.00% was assumed to estimate the probability of employees leaving for reasons other than death;
- an annual figure of 3.00% was assumed to estimate the probability of advances on the TFR.

The economic and financial assumptions used were as follows:

	Italy
Annual discount rate	2.05%
Annual inflation rate	2.00%
Annual rate of increase in total compensation	3.00%

Changes in the actuarial value of employee benefits for the year were as follows:

(thousands of Euros)	Employee benefits
Actuarial evaluation of “Employee benefits” at 12.31.2011	**11,195**
Interest cost	414
Benefits paid	(1,270)
Actuarial gains/loss	1,508
Ovaro business unit sale	(2,080)
Actuarial evaluation of “Employee benefits” at 12.31.2012	**9,767**

Sensitivity analysis of the discount rate

The following table shows the balance that the item “Employee Benefits” would have as of December 31, 2012 in the event of a change to the discount rate shown at the reporting date.

Thousands of Euros	RDM S.p.A.	
Increase of discount rate	+25%	9,589
Non-current employee benefits as of December 31, 2012	2.05%	9,767
Reduction of discount rate	-25%	9,951

Management Phantom Stock Plan for 2011, 2012 and 2013

In April 2011, the Ordinary Shareholders’ Meeting approved an incentive plan for management based on financial instruments, pursuant to article 114 *bis* of Legislative Decree no. 58/59.

The main features of the plan are described below.

The plan aims to structure the variable part of the remuneration of Executive Directors and other key managers.

Under the terms of the plan, the beneficiaries variously receive a total of 8,265,000 phantom performance shares, and an additional 2,393,000 phantom performance shares are set aside to allocate to any new beneficiaries identified in accordance with the rules of the plan.

The plan states that the beneficiaries will receive a cash bonus if the return on invested capital and certain financial ratios meet specific targets as at December 31 of 2011, 2012 and 2013. Where the targets are met in one and/or two years and/or the targets are met only in part in one and/or two and/or three years, the number of applicable phantom shares will be calculated by dividing the total number of shares awarded by the number of years of the plan.

As things stand, the current and predicted future worsening of the macroeconomic climate renders the plan targets unattainable. For this reason, the 2012 financial statements do not contain any new provisions for the plan compared with when it was approved.

29. Non-Current Provisions for Risks and Charges

The balance at December 31, 2012 was as follows:

	12.31.2011	Other changes	Provisions	Drawings	12.31.2012
(thousands of Euros)					
Provisions for future charges	4,433	(172)	918	(1,668)	3,511
Provisions for losses on investments	3,134		220	(3,180)	174
Total	**7,567**	**(172)**	**1,138**	**(4,848)**	**3,685**

With reference to “Provisions for future charges”, the drawings for the period, equal to €1.7 million, are mainly attributable to the provision for redundancy costs, and to the settlement of a number of disputes. The provision for the year, equal to €0.9 million, refers mainly to the costs deriving from redundancy procedures and to provisions needed to cover costs of future staff layoffs. Other changes also include the portion transferred to R.D.M. Ovaro S.p.A. following the sale of the business unit (€170 thousand).

Below is the change in the “Provision for losses on investments”:

(thousands of Euros)	12.31.2011	Other changes	Provisions	Drawings	12.31.2012
	A	B	C	D	E = A+B+C+D
RDM Blendecques S.A.S.	2,879		30	(2,909)	0
Careo S.r.l.			174		174
R.D.M. Ovaro S.p.A. (ex Reno Logistica S.r.l. in liquidation)	210			(210)	0
Carta Service Friulana S.r.l.	45		16	(61)	0
Provisions for losses on investments	3,134	0	220	(3,180)	174

The provision recorded by the “Provision for losses on investments” is mainly related to the write-down of the equity investment in the joint venture Careo S.r.l. (€174 thousand) following the legal obligation for hedging, already commented on in Notes 10 and 15.

The use of provisions for €3.2 million refers mainly to the covering of losses in 2011 by the French subsidiary RDM Blendecques S.A.S. (€2.9 million) as well as RDM Tissue Core S.r.l. in liquidation (now Carta Service Friulana S.r.l.) for €61 thousand and Reno Logistica S.r.l. in liquidation (now R.D.M. Ovaro S.p.A.) for €210 thousand, following the revocation of their states of liquidation.

30. Trade payables

“Trade payables” to third-party suppliers were €70.8 million (€79.4 million at December 31, 2011) and are all due within less than 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparty.

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Trade payables	70,805	79,405	(8,600)
Current trade payables total	70,805	79,405	(8,600)

The decrease in payables over the previous year was caused partly by the sale of the Ovaro plant business unit (€4.2 million at the sale date).

31. Payables to Group Companies

Payables to Group companies arise from commercial relations with Group companies and are settled under normal market conditions.

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Payables to subsidiaries	122	1,769	(1,647)
Total payables to subsidiaries	**122**	**1,769**	**(1,647)**
Payable to associates and joint ventures	3,529	4,702	(1,173)
Total payables to associates and joint ventures	**3,529**	**4,702**	**(1,173)**
Total payables to Group companies	**3,651**	**6,471**	**(2,820)**

The table below shows a breakdown of current payables to subsidiaries:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Cartiera Alto Milanese S.p.A.	7	13	(6)
Emmaus Pack S.r.l.	58	133	(75)
Reno De Medici Iberica S.L.	57	38	19
Reno De Medici Arnsberg Gmbh		1,583	(1,583)
R.D.M. Ovaro S.p.A. (formely Reno Logistica S.r.l. in liquidation)		2	(2)
Total payables to subsidiaries	**122**	**1,769**	**(1,647)**

The payable to Reno De Medici Arnsberg GmbH relates to the payment of tax withheld at source by the German subsidiary upon payment of dividends to the Parent Company, for which reimbursement from the German tax authorities was received in 2012.

"Payables to associates and joint ventures" continues to be dominated by the payable to the Careo Group and also features the smaller premium payable to Pac Service S.p.A, as shown the table below:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Pac Service S.p.A.	138	106	32
Total payables to associates	**138**	**106**	**32**
Careo S.A.S.		162	(162)
Careo S.r.l.	3,260	4,434	(1,174)
ZAR S.r.l.	131		131
Total payables to joint ventures	**3,391**	**4,596**	**(1,205)**
Total payables to associates and joint ventures	**3,529**	**4,702**	**(1,173)**

32. Other Payables to Group Companies

The current portion of "Other payables to Group companies" represents the cash-pooling liability due to Group companies, together with the portion of the loan disbursed by Reno De Medici Arnsberg GmbH that is due within 12 months (€714 thousand).

The non-current portion breaks down as follows:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Reno De Medici Iberica S.L.		4,227	(4,227)
Reno De Medici Arnsberg GmbH	1,429	2,143	(714)
Total other non-current payables to subsidiaries	**1,429**	**6,370**	**(4,941)**
Total other non-current payables to Group companies	**1,429**	**6,370**	**(4,941)**

The non-current portion refers to a loan supplied by Reno De Medici Arnsberg GmbH for a sum of €1.4 million.

The breakdown of the current portion of payables of a financial nature is given below:

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
Cartiera Alto Milanese S.p.A.	1,261	245	1,016
Reno De Medici Arnsberg GmbH	6,772	7,057	(285)
RDM Blendecques S.A.S.	1,365		1,365
R.D.M. Ovaro S.p.A.	983		983
Reno De Medici Iberica S.L.	542	25,122	(24,580)
Reno De Medici UK Ltd		4	(4)
Total other current payables to subsidiaries	10,923	32,428	(21,505)
Careo S.r.l.	2,120		2,120
Total current other payables to joint ventures	2,120		2,120
Total other current payables to Group companies	13,043	32,428	(19,385)

In August 2012, the Reno De Medici Iberica S.L. shareholders' meeting approved the reduction in share capital of €31.6 million from €39.1 million to €7.5 million: following the transaction, the Parent Company reduced its debt to the Spanish subsidiary by €31.6 million.

33. Current taxes

At December 31, 2012, this item represents the amount payable to the authorities for IRAP incurred during the year, net of payments on account.

	12.31.2012	12.31.2011	Change
(thousands of Euros)			
IRAP payables	12	225	(213)
Total current taxes	12	225	(213)

34. Non-Recurring Transactions

Significant Non-Recurring Events and Transactions

The effects of non-recurring transactions, as defined in Consob Communication no. DEM/6064293, are shown in the income statement and described in the notes to the relevant items.

The financial position, results and cash flows of Reno De Medici S.p.A. have not been affected by any further events and significant non-recurring transactions. This refers to transactions or events which do not occur frequently as part of normal operations.

Positions Deriving from Abnormal and/or Unusual Transactions

In 2012, the Company did not carry out any abnormal and/or unusual transactions as these terms are defined by the above-mentioned Consob Communication no. DEM/6064293. Abnormal and/or unusual transactions are transactions which for their size, their importance, their subject, their timing, the nature of their counterparties, or the means of determining their price may give rise to doubt over:

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

35. Contingent Liabilities and Commitments and Other Guarantees Given to Third Parties

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

Commitments and guarantees given to third parties include:

- sureties of €3.1 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- a surety of €421 thousand issued in favor of the Region of Lazio regarding the landfill site at the Villa Santa Lucia mill;
- sureties of €1.2 million issued to the Comieco consortium;
- sureties of €69 thousand issued in favor of the customs authorities;
- a surety of €90 thousand issued in favor of the Region of Lombardy;
- a surety of €108 thousand issued in connection with property leases;
- a surety of €750 thousand issued in favor of Valli S.p.A.;
- a surety of €120 thousand issued in favor of Stogit S.p.A.;
- sureties of €228 thousand issued in favor of Terna S.p.A.;
- sureties of €150 thousand issued in favor of the the Revenue Agency for Carta Service Friulana S.r.l;
- a surety of €368 thousand issued in favor of Gestore Servizi Energetici "GSE";
- a surety of €1.2 million issued in favor of Andritz.

As part of their business combination, Reno De Medici S.p.A. and Cascades S.A.S. have obtained, respectively, a call option exercisable in 2012 and a put option exercisable in 2013 on the European virgin-fiber cartonboard production operations of Cascades S.A.S., presently located at the La Rochette mill in France and the Djupafors mill in Sweden.

On August 2, 2012, the Board of Directors of Parent Company Reno De Medici S.p.A., following a favorable opinion from the Committee for Related Parties and reconfirming the interest in acquiring virgin assets, decided not to exercise its call option on the two mills owned by Cascades S.A.S. (hereinafter referred to as "Cascades").

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

Furthermore, with reference to the equity investment in Manucor, relations between the shareholders are governed by a series of agreements which provide for, among other things:

- a lock-up period ending May 31, 2013;
- -where the shareholders accept an offer from a third party for the purchase of 100% of the company's share capital (including during the lock-up period), a drag-along obligation;
- at the end of the lock-up period, a drag-along right for shareholders if only one of them indicates a willingness to sell its shares in the company to third parties;
- after three years from the date the agreement was signed, and at its own initiative, the right for Intesa Sanpaolo to set in motion a contractually established procedure for the sale of its holding to Reno De Medici, and, in such an event, for the other shareholders to express their own intent to sell their holdings to Reno De Medici. Reno De Medici shall not be under any obligation to purchase such holdings. Should the parties fail to reach an agreement, Intesa Sanpaolo shall be entitled to seek offers for its holding and for the holdings of the other shareholders on the open market, at terms and conditions that protect the investments made. In such an event, all shareholders shall be obliged to sell their shares;
- after four years from the date the agreement was signed, the possibility (by way of a call option) for Reno De Medici to purchase all the holdings of the other shareholders at their market value as at the exercise date.

36. Related-Party Transactions

On June 22, 2012, with the favorable opinion of the Committee for Related Parties, Reno De Medici S.p.A. sold the business unit comprising the Ovaro plant to the subsidiary R.D.M. Ovaro S.p.A.

For details of the transaction, refer to the paragraph “Main transactions of the Reno De Medici Group in 2012” in the Directors’ Report.

The disclosures on related-party transactions required under IAS 24 and Consob Communication no. 6064293 of July 28, 2006 can be found in Annex A to these financial statements “Breakdown of Related-Party and Intragroup Transactions as at 12.31.12” and in the “Related-Party Transactions” section of the Directors’ Report.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The analysis and disclosures required by IFRS 7 – Financial Instruments: Disclosures are provided below.

This analysis compares the situation at the reporting date December 31, 2012 with the situation as at December 31, 2011, and it refers to the separate financial statements of the Parent Company.

All figures are stated in thousands of Euros.

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

Impact of Financial Instruments on the Financial position

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

	12.31.2012		12.31.2011	
	Book value	Fair value	Book value	Fair value
(thousands of Euros)				
Cash and cash equivalents	2,629	2,629	2,199	2,199
Loans and receivables	60,150	60,150	76,906	76,906
Trade receivables	53,927	53,927	64,228	64,228
Other receivables from associates and joint ventures	4,270	4,270	10,013	10,013
Other receivables	1,953	1,953	2,665	2,665
Available-for-sale financial assets	191	191	195	195
Financial liabilities at amortized cost	(164,531)	(168,147)	(216,257)	(221,725)
Unsecured medium- and long-term bank loans at amortized cost	(800)	(831)	(1,099)	(1,138)
Secured medium- and long-term bank loans	(42,155)	(45,569)	(54,080)	(58,708)
Short-term bank loans as use for commercial facilities	(25,836)	(25,836)	(27,503)	(27,503)
Trade payables	(74,456)	(74,456)	(85,876)	(85,876)
Other payables to Group companies	(14,471)	(14,642)	(38,798)	(39,599)
Other payables	(6,813)	(6,813)	(8,901)	(8,901)
Financial liabilities at fair value through profit and loss	(158)	(158)	(185)	(185)
Hedging derivatives	(1,125)	(1,125)	(1,301)	(1,301)
	(102,844)	(106,460)	(138,443)	(143,911)
Unrecognized profits (losses)	(3,616)		(5,468)	

Having examined the financial models and criteria used to estimate the fair values of the above-mentioned financial instruments, further details are provided below on the individual items.

Derivative instruments

In general, the fair value of derivatives is calculated according to mathematical models using directly observable input data (such as an interest rate curve).

The Parent Company's only derivative instruments indexed to interest rates are interest rate swaps. A discounted cash flow model is used to measure these instruments, whereby the fair value of a derivative is given by the sum of the present values of future cash flows estimated on the basis of the deposit rates, futures and swaps riskless curve conditions at the reporting date.

From January 1, 2009, the Company adopted amendments to IFRS 7 for financial instruments measured at fair value. The amendments to IFRS 7 identified a measurement hierarchy based on three levels:

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

	Classification	12.31.2012	Fair value as at the date of the financial statements based on:		
			Level 1	Level 2	Level 3
(thousands of Euros)					
Derivative instruments on interest rates	Non-current derivative instruments	703		703	
Derivative instruments on interest rates	Current derivative instruments	580		580	

As at December 31, 2012, the Parent Company did not hold any foreign-exchange derivative instruments or any derivative instruments indexed to commodity prices.

Loans

The aggregate under review consists of all medium- and long-term loans. These were measured by calculating the net present value of the future flows generated by the financial instrument, taking into account the principal repayment plans defined in the loan agreements.

In the case of indexed loans, future interest rates were estimated by calculating the forward rates implicit in the quoted euro deposit rates, futures and swaps riskless curve as at December 31, 2012 and December 31, 2011.

Future flows were discounted on the basis of the same euro yield curve as at December 31, 2012 and December 31, 2011.

Financial Assets

The table below provides a breakdown of financial assets:

	12.31.2012	12.31.2011
(thousands of Euros)		
Non-current financial assets		
Non-derivative financial assets	*191*	*195*
Available-for-sale financial assets	191	195
Total	191	195
Current financial assets		
Non-derivative financial assets	2,629	2,199
Cash pooling current account	4,270	10,013
Total	6,899	12,212

Financial Liabilities

The table below provides a breakdown of financial liabilities:

	12.31.2012	12.31.2011
(thousands of Euros)		
Non-current liabilities		
Non-derivative liabilities	*(32,324)*	*(49,146)*
Unsecured medium- and long-term bank loans at amortized cost	(779)	(779)
Secured medium- and long-term bank loans	(30,116)	(41,997)
Medium- and long-term loans from subsidiaries	(1,429)	(6,370)
Hedging derivatives	*(622)*	*(871)*
Non-hedging derivatives	*(81)*	*(151)*
Total	(33,027)	(50,168)
Current liabilities		
Non-derivative liabilities	*(50,939)*	*(73,135)*
Current portion of unsecured medium- and long-term bank loans at amortized cost	(21)	(320)
Current portion of secured medium- and long-term bank loans at amortized cost	(12,039)	(12,083)
Short-term bank loans as use for commercial facilities	(25,836)	(27,503)
Current portion of loans from subsidiaries	(714)	(801)
Cash pooling current account	(12,329)	(32,428)
Hedging derivatives	*(503)*	*(430)*
Non-hedging derivatives	*(77)*	*(34)*
Total	(51,519)	(73,599)

Loan Repayment Plans, Terms and Conditions

The terms and conditions of the loans are summarized in the table below.

	Currency	Nominal interest rate	Year of maturity	Nominal value 12.31.2012	Book value	Nominal value 12.31.2011	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans				**42,618**	**41,998**	**54,793**	**53,792**
Intesa SanPaolo syndicated loan (tranche A)	Euro	Eur6m+spread	2016	21,982	21,469	28,262	27,434
Intesa SanPaolo syndicated loan (tranche B)	Euro	Eur6m+spread	2016	7,000	6,905	9,000	8,846
Banca Popolare Emilia Romagna	Euro	mEur6m+spread	2016	2,170	2,158	2,790	2,771
Intesa SanPaolo	Euro	Eur6m+spread	2016	11,466	11,466	14,741	14,741
Unsecured bank loans at amortized cost				**779**	**779**	**1,072**	**1,072**
MinIndustria 10686	Euro	fix	2014	154	154	305	305
Minindustria 11172	Euro	fix	2017	625	625	767	767
Total medium- and long-term loans	Euro			**43,397**	**42,777**	**55,865**	**54,864**
Short-term bank loans as use for commercial facilities				25,824	25,824	27,489	27,489
Used portfolio	Euro	Euribor+spread	n/a	7,475	7,475	10,010	10,010
Pre-paid invoices	Euro	mEur1m	n/a	2,413	2,413	1,785	1,785
Export loans	Euro	Euribor+spread	n/a	14,523	14,523	13,495	13,495
Import loans	Euro	Euribor+spread	n/a	1,413	1,413	2,199	2,199
Total short-term loans	Euro			**25,824**	**25,824**	**27,489**	**27,489**
Total interest-bearing liabilities	Euro			**69,221**	**68,601**	**83,354**	**82,253**

Other Financial Instruments

The fair value of receivables from customers, payables to suppliers and other financial assets and liabilities falling due contractually during the year has not been calculated as the carrying amount of the financial instrument is virtually the same.

Other Information

The table below provides a breakdown of changes in the equity hedging reserve:

(thousands of Euros)	
Reserve 12.31.2011	(704)
Fair value adjustment of cash flow hedge derivatives	530
Tax effect of fair value adjustment of cash flow hedge derivatives	*(147)*
Transfers to the income statement	*(335)*
Tax effect of transfers to the income statement	*93*
Reserve 12.31.2011	(563)

The figure for hedge accounting represents the release of the reserve when the cash flows for outstanding loans occurred, while the figure for fair value is the accrual to reserves.

Credit Risk

This section describes in both quantitative and qualitative terms the exposure to credit risk and the way in which this is managed.

Risk Exposure

Core business exposure to credit risk at the reporting date was as follows:

(thousands of Euros)	12.31.2012	12.31.2011
Gross trade receivables	56,631	66,820
- provision for bad and doubtful debts	(2,704)	(2,592)
Total	53,927	64,228

Overdue or Impaired Financial Assets

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

	Overdue receivables				
December 31, 2012	More than 60 days	From 31 to 60 days	From 0 to 30 days	Non-overdue receivables	Total
(thousands of Euros)					
Italy	980	36	2,724	33,566	37,306
EU	181	6	728	10,849	11,764
Rest of world	158	4	340	4,355	4,857
Total	**1,319**	**46**	**3,792**	**48,770**	**53,927**

	Overdue receivables				
December 31, 2011	More than 60 days	From 31 to 60 days	From 0 to 30 days	Non-overdue receivables	Total
(thousands of Euros)					
Italy	891	749	3,585	40,739	45,964
EU	211	54	1,182	9,977	11,424
Rest of world	313	17	334	6,176	6,840
Total	**1,415**	**820**	**5,101**	**56,892**	**64,228**

A total of 10.8% of the receivables portfolio of the Parent Company at December 31, 2012 was overdue, while at December 31, 2011 the corresponding figure was 11.4%. This figure, though in line with the overdue receivables, has increased due to the increase of factoring, which totaled Euro 6.1 million. The amount of receivables overdue by more than 60 days was affected particularly by the 2011 crisis.

How Credit Risk is Managed

As a general rule, the Company's commercial risk management policy is to insure all client receivables, excluding those on the Italian market, with leading insurance companies. Any uninsured or partially insured balances require specific authorization from RDM's management, depending on the amount. Specific credit control procedures requiring authorization from various levels of RDM's management are in place for clients on the Italian market. The Group's operational policies envisage continual monitoring of receivables due from Italian and non-Italian clients, as well as prompt initiation of suitable recovery procedures in the event of default.

The internal procedures for carrying out a creditworthiness assessment, needed in order to start doing business with a potential client, involve collecting and analyzing qualitative and quantitative information. Given the importance of the matter, since last year RDM has established procedures suitable for its own structure and for the Group's new situation in order to enable better information flows and, as a result, better risk monitoring and control.

In 2012, following the non-recourse factoring programs signed by the Parent Company, receivables amounting to €52.4 million were sold which incurred costs of €0.8 million. Cash flow from these transfers was €52.0 million, and the related new financial activities issued came to €0.4 million.

Market Risk

Market risk is defined as the risk that the fair value or the cash flows associated with a financial instrument will fluctuate because of changes in market variables such as exchange rates, interest rates, the prices of raw materials, and stock prices.

The market risk to which the Parent Company was exposed during 2011 may be broken down as follows:

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

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

Currency Risk

The Parent Company's exposure to currency risk derives from:

- trade receivables/payables denominated in currencies other than the functional currency (euro);
- liquidity held in foreign-currency current accounts;
- short-term financial debt in foreign currencies.

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

In 2012, the Parent Company managed the marginal imbalance between investments and funds in the same currency by using a natural-hedging approach and by carefully and continually monitoring market conditions; as a result, it was not deemed necessary to resort to hedging derivatives.

The Parent Company's exposure in Euros is shown below, based on the official ECB exchange rates at December 31, 2012 and December 31, 2011, as reported in the following table:

ECB exchange rates	12.31.2012	12.31.2011
(per euro)		
USD	1.3194	1.2939
GBP	0.8161	0.8353
CHF	1.2072	1.2156
CAD	1.3137	1.3215

The table below provides a breakdown of the Parent Company's exposure to currency risk, based on the notional amount of the exposure expressed in thousands of Euros.

	12.31.2012				12.31.2011			
	USD	GBP	CHF	CAD	USD	GBP	CHF	AUD
(thousands of Euros)								
Trade receivables	4,762	463			3,040	757	69	
Trade payables	(2,635)			(17)	(3,373)			(56)
Cash and cash equivalents	2,658	459			1,807	333	13	1
Net exposure	4,785	922		(17)	1,474	1,090	82	(55)

Sensitivity Analysis of Currency Risk

In order to measure the possible effects of changes in the reporting-date exchange rates on the statement of financial position and income statement, assumptions were made (at December 31, 2012 and December 31, 2011) as to variations in the value of the euro against the major foreign currencies.

Two scenarios were envisaged: an appreciation and a depreciation of 10% in the euro against the other currencies. For each of the two scenarios, the gain or loss arising from transactions outstanding at December 31, 2012 and December 31, 2011 was then calculated. In this way, it was possible to determine the effect on the income statement and on shareholders' equity had exchange rates varied as assumed.

The tables below provide a summary of the results of this analysis, indicating the additional effect on the actual figures recognized at the reporting date. These remeasurements based on changes in the exchange rate affect only profit or loss for the year and therefore only the income statement.

10% appreciation of the euro		10% depreciation of the euro	
(thousands of Euros)	Gain (loss)	(thousands of Euros)	Gain (loss)
December 31, 2012		**December 31, 2012**	
USD	(435)	USD	532
GBP	(84)	GBP	102
CHF		CHF	
CAD	1	CAD	(2)
Total	**(518)**	**Total**	**632**
December 31, 2011		**December 31, 2011**	
USD	(134)	USD	164
GBP	(99)	GBP	121
CHF	(7)	CHF	9
AUD	5	AUD	(6)
Total	**(235)**	**Total**	**288**

How Currency Risk is Managed

The main objective of the Parent Company's currency-risk management policy is to limit the exposure to foreign currency arising from exporting finished goods to and importing raw materials from foreign markets. The following guidelines are used in pursuing this policy:

- first of all, inflows and outflows in the same currency are offset (natural hedging);
- secondly, recourse is made to forward sales or to export loans in the same currency. These transactions are arranged by using a notional amount and due date which correspond to those of the expected cash flows (if the amount is significant), so that any changes in the cash flows arising from the forward transactions, as the result of the appreciation or depreciation of the euro against the other currencies, are substantially offset by a corresponding change in the expected cash flows of the underlying positions.
- finally, forward sales are hedged. There were no outstanding transactions of this type at the reporting date.

As a general rule, the currency-risk management policy recommends maximizing the use of natural hedging and, in any case, excludes recourse to transactions involving complex derivatives, e.g. those with barriers.

The Administration and Finance Department of RDM is responsible for monitoring currency risk and recommends suitable currency-risk hedging strategies to keep exposure within the limits agreed with senior management.

Interest Rate Risk

Financial liabilities exposing the Parent Company to interest rate risk are, for the most part, medium- and long-term floating-rate indexed loans.

The table below sets out the positions that are subject to interest rate risk, separating fixed-rate from floating-rate exposure in terms of the notional value of the financial instruments.

However, the exposure to interest rate risk arising from loans is partially mitigated by entering into interest rate swap agreements designed to hedge the volatility of future cash flows indexed to market rates.

	12.31.2012	%	12.31.2011	%
(thousands of Euros)				
Floating-rate medium- and long-term loans	(18,141)	21.7%	(24,697)	20.1%
Floating-rate medium- and long-term loans hedged by IRS	(12,300)	14.7%	(17,920)	14.6%
Fixed-rate medium- and long-term loans	(779)	0.9%	(780)	0.6%
Fixed-rate medium- and long-term loans from subsidiaries	(1,429)	1.7%	(6,370)	5.2%
Total non-current liabilities	(32,649)	39.0%	(49,767)	40.5%
Floating-rate medium- and long-term loans	(7,056)	8.4%	(7,056)	5.7%
Floating-rate medium- and long-term loans hedged by IRS	(5,120)	6.1%	(5,120)	4.2%
Fixed-rate medium- and long-term loans			(293)	0.2%
Floating-rate short-term bank loans as use of commercial facilities	(25,836)	30.9%	(27,489)	22.4%
Fixed-rate medium- and long-term loans from subsidiaries	(714)	0.9%	(714)	0.6%
Floating-rate cash pooling with subsidiaries and joint ventures	(12,329)	14.7%	(32,428)	26.4%
Total current liabilities	(51,055)	61.0%	(73,100)	59.5%
Total (floating rate)	*(53,176)*	*63.5%*	*(91,670)*	*74.6%*
Total (fixed rate or hedged floating rate)	*(30,527)*	*36.5%*	*(31,197)*	*25.4%*
Total	(85,155)	100.0%	(122,867)	100.0%

Sensitivity Analysis of Interest Rate Risk

A sensitivity analysis of the financial instruments exposed to interest rate risk was performed upon preparation of the financial statements. The following assumptions were used in the model:

- for bank current-account exposure and spreads settled by interest rate swaps, financial income/expense was recalculated by applying +/-50 bps to the interest rate payable, multiplied by the carrying amounts and for a period equal to the financial year;

- for loans with a repayment plan, the change in financial expense was calculated by applying +/-50 bps to the loan interest rate payable at each refixing date, multiplied by the outstanding principal during the year;

- the change in the fair value of interest rate swaps at the reporting date was calculated by applying +/-50 bps to the euro riskless curve for deposit rates, futures and swaps upon preparation of the financial statements.

		Profit (loss)		Shareholders' Equity	
		Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
(thousands of Euros)					
December 31, 2012					
Cash flows during the year		(359)	358		
	Cash flows from derivatives	*78*	*(79)*		
	Intragroup accounts	*(55)*	*55*		
	Floating-rate loans	*(382)*	*382*		
Effectiveness of hedges				156	(152)
Net sensitivity of financial flows		(359)	358	156	(152)
December 31, 2011					
Cash flows during the year		(476)	475		
	Cash flows from derivatives	*99*	*(100)*		
	Intragroup accounts	*(162)*	*162*		
	Floating-rate loans	*(413)*	*413*		
Effectiveness of hedges				242	(246)
Net sensitivity of financial flows		(476)	475	242	(246)

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

How Interest Rate Risk is Managed

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

The techniques used most often are:

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

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

The Parent Company sets about achieving this goal by using derivatives in the form of interest rate swaps (IRS).

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

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

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

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

Commodity Risk

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

At the end of September 2011, the Parent Company entered into contracts for the supply of natural gas at prices linked to specific energy market indices. In order to limit commodity risk, these supply contracts contain moving averages of up to 12 months so that any monthly changes in the index have a minimal effect on the supply price.

At the end of October 2011, RDM entered into contracts for the supply of electricity at prices linked to several continental energy markets. Supply prices are agreed with spreads that are fixed in relation to these markets in order to limit commodity risk.

As at December 31, 2012, there were no outstanding derivative instruments for hedging commodity risk.

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

How Commodity Risk is Managed

The nature of RDM's business entails exposure to fluctuations in the price of electricity, natural gas and certain chemicals derived from petroleum (such as latexes) and fibrous raw materials.

The contracts for the supply of natural gas are indexed to a basket of fuels and are concluded at least three months before the time of supply. Electricity is purchased at a price indexed to the continental electricity market values, as published by the relevant market operators.

In order to contain price pressure on raw materials such as chemicals and fibrous products, RDM aims to diversify its suppliers and its supply markets.

The Parent Company's current policy does not allow the use of derivative instruments with complex payoff plans. It can, however, enter into technical forms of hedging with leading banks.

Liquidity Risk

Liquidity risk can take the form of difficulty in obtaining the funds required to satisfy scheduled contractual commitments at market conditions.

This may mean there are insufficient resources available to meet financial obligations under the agreed terms and conditions and at the pre-determined due dates, or it may mean the business is required to settle its financial liabilities earlier than the scheduled due date.

For each contract, the analysis aimed to measure the cash flows deriving from the various types of financial liability held at December 31, 2012 and December 31, 2011.

Depending on their nature, financial liabilities were separated into non-derivative and derivative financial liabilities. Given the different accounting treatments, the latter were subdivided into liabilities where the derivative had been formally designated as a hedge, and had turned out to be effective, and liabilities where the derivative was not subject to hedge accounting.

The main assumptions relating to the Parent Company's financial requirements which were used to carry out the analyses were as follows:

- cash flows are not discounted;
- cash flows are allocated to their respective time bands on the basis of the first possible payment date envisaged by the contractual terms and conditions (the worst-case scenario);
- all instruments held at the reporting date for which payments have been contractually designated are included; planned future commitments which have not yet been recognized in the financial statements are not included;
- if the amount payable is not fixed (e.g. future interest payments), financial liabilities are measured at market terms and conditions at the reporting date;
- cash flows also include the interest that the Parent Company will pay up to the due date of a debt, measured at the reporting date and calculated on the basis of market forward interest rates.

December 31, 2012	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	2,629	2,629	2,629				
Trade receivables	53,927	53,927	53,927				
Other receivables from associates and joint ventures	4,270	4,270	4,270				
Other receivables	1,953	1,953	1,953				
Medium- and long-term bank loans	(42,955)	(46,765)	(7,454)	(6,736)	(13,466)	(19,129)	
Short-term bank loans as use For commercial facilities	(25,836)	(25,836)	(25,836)				
Other payables to Group companies	(13,044)	(13,044)	(13,044)				
Financial payables to subsidiaries	(1,429)	(2,329)	(410)	(402)	(776)	(741)	
Hedging derivative instruments	(1,125)	(1,132)	(294)	(210)	(398)	(230)	
Non-hedging derivative instruments	(158)	(160)	(38)	(30)	(60)	(32)	
Trade payables	(74,456)	(74,456)	(74,456)				
Other payables	(6,813)	(6,813)	(6,813)				
Total	(103,037)	(107,756)	(65,566)	(7,378)	(14,700)	(20,132)	

December 31, 2011	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	2,199	2,199	2,199				
Trade receivables	64,228	64,228	64,228				
Other receivables from associates and joint ventures	10,013	10,013	10,013				
Other receivables	2,665	2,665	2,665				
Medium- and long-term bank loans	(55,179)	(61,878)	(7,499)	(7,458)	(13,966)	(32,955)	
Short-term bank loans as use For commercial facilities	(27,503)	(27,503)	(27,503)				
Other payables to Group companies	(32,428)	(32,428)	(32,428)				
Financial payables to subsidiaries	(6,370)	(9,953)	(657)	(419)	(1,040)	(7,837)	
Hedging derivative instruments	(1,301)	(1,333)	(233)	(201)	(477)	(422)	
Non-hedging derivative instruments	(185)	(187)	(32)	(26)	(73)	(56)	
Trade payables	(85,876)	(85,876)	(85,876)				
Other payables	(8,901)	(8,901)	(8,901)				
Total	(138,638)	(148,954)	(84,024)	(8,104)	(15,556)	(41,270)	

The first section of the tables compares the book value of the financial liabilities with the total value of cash flows that – given the market conditions at the reporting date – are expected to be received from or paid to counterparties. The second section of the tables shows a breakdown by time period of the total cash flows, which make up the item “Contractual financial flows”.

How Liquidity Risk is Managed

The Group’s financial activity is centered largely on the Parent Company Reno De Medici S.p.A., which, on the basis of consolidated practice inspired by prudence and stakeholder protection, negotiates credit facilities with banks and continually monitors the cash flows of the individual Group companies.

The Group’s management policies involve continually monitoring liquidity risk with a view to mitigating said risk by maintaining sufficient liquidity and/or short-term deposits with prime counterparties and by having access to short-term credit facilities backed mainly by receivables from domestic and foreign clients.

ANNEXES

The information in the annexes mentioned below forms an integral part of these Notes to the Financial Statements.

Annex A: Breakdown of related-party and intragroup transactions as at December 31, 2012

Annex B: Equity investments in subsidiaries and associates

Annex C: Share-based payment plans

Annex D: Information pursuant to article 149-duodecies of the Consob Issuer Regulations

ANNEX A – BREAKDOWN OF RELATED-PARTY AND INTRAGROUP TRANSACTIONS AS AT DECEMBER 31, 2012 AND 2011

The additional disclosures on related-party transactions, as required by Consob Communication no. 6064293 of July 28, 2006, are provided below.

RECEIVABLES, PAYABLES, REVENUES AND COSTS WITH GROUP COMPANIES

The tables below provide a breakdown of transactions carried out in 2012 and 2011 with direct and indirect subsidiaries, and with associates and joint ventures. Transactions between Reno De Medici S.p.A. and other Group companies, whether of an industrial, financial or service-related nature, are carried out under market conditions taking into consideration the quality of the goods and services provided.

Intragroup Receivables and Payables

	Current assets				Non-current liabilities	Current liabilities			
	Receivables from subsidiaries		Receivables from associates		Payables to subsidiaries	Payables to subsidiaries		Payables to associates	
December 31, 2012	commercial (1)	financial (2)	commercial (1)	financial (2)	financial (3)	commercial (4)	financial (5)	commercial (4)	financial (5)
(thousands of Euros)									
Careo S.r.l.			523					3,260	2,120
Cartiera Alto Milanese S.p.A.	5,947					7	1,261		
Reno De Medici Arnsberg Gmbh	3,761				1,429		6,772		
Reno De Medici UK Ltd	284	130							
Emmaus Pack S.r.l.	6,782	1,213				58			
Pac Service S.p.A.								138	
RDM Blendecques S.A.S.	2,562	2,837					1,365		
Reno De Medici Iberica S.L.	2,331					57	542		
Carta Service Friuliana S.r.l.			127						
ZAR S.r.l.				90				131	
R.D.M. Ovaro S.p.A.	1,137						983		
Total	**22,804**	**4,180**	**650**	**90**	**1,429**	**122**	**10,923**	**3,529**	**2,120**

(1) See statement of financial position – total of item “Group trade receivables” classified in “Current assets”

(2) See statement of financial position – total of item “Other Group receivables” classified in “Current assets”

(3) See statement of financial position – total of item “Other Group payables” classified in “Non-current liabilities”

(4) See statement of financial position – total of item “Group trade payables” classified in “Current liabilities”

(5) See statement of financial position – total of item “Other payables to Group companies” classified in “Current liabilities”.

	Current assets				Non-current liabilities	Current liabilities		
December 31, 2011	Receivables from subsidiaries		Receivables from associates		Payables to subsidiaries	Payables to subsidiaries		Payables to associates
	commercial (1)	financial (2)	commercial (1)	financial (2)	financial (3)	commercial (4)	financial (5)	commercial (4)
(thousands of Euros)								
Careo S.A.S.								162
Careo S.r.l.			706	869				4,434
Cartiera Alto Milanese S.p.A.	4,698					13	245	
Reno De Medici Arnsberg Gmbh	808				2,143	1,583	7,057	
Reno De Medici UK Ltd	657						4	
Emmaus Pack S.r.l.	6,501	897				133		
Pac Service S.p.A.								106
RDM Blendecques S.A.S.	3,385	7,925						
Reno de Medici Iberica S.L.	1,688				4,227	38	25,122	
Reno Logistica S.r.l. in liquidation				322				
R.D.M. Tissue Core S.r.l. in liquidation			365			2		
Total	17,737	8,822	1,071	1,191	6,370	1,769	32,428	4,702

(1) See statement of financial position – total of item “Group trade receivables” classified in “Current assets”

(2) See statement of financial position – total of item “Other Group receivables” classified in “Current assets””

(3) See statement of financial position – total of item “Other Group payables” classified in “Non-current liabilities”

(4) See statement of financial position – total of item “Group trade payables” classified in “Current liabilities”

Intragroup Revenues

December 31, 2012	Revenues from sales (1)	Other revenues (2)	Financial income
(thousands of Euros)			
Careo S.r.l.		730	108
Cartiera Alto Milanese S.p.A.	16,305	94	9
Reno De Medici Arnsberg Gmbh		2,823	
Emmaus Pack S.r.l.	13,954	142	20
Pac Service S.p.A.	3,337		
RDM Blendecques S.A.S.	1	1,405	192
Reno De Medici Iberica S.L.	9,095	614	
R.D.M. Ovaro S.p.A.	1,318	502	2
Reno De Medici UK Ltd	33	168	1
Total	**44,043**	**6,478**	**332**

(1) See RDM income statement – "Revenues from sales – of which related parties" includes "Revenues from sales" intercompany and other related parties

(2) See RDM income statement – "Other revenues and income – of which related parties" includes "Other revenues" intercompany and other related parties

December 31, 2011	Revenues from sales (1)	Other revenues (2)	Financial income
(thousands of Euros)			
Careo S.r.l.		647	53
Cartiera Alto Milanese S.p.A.	17,412	90	10
Reno De Medici Arnsberg Gmbh		2,895	2
Emmaus Pack S.r.l.	15,480	117	10
Pac Service S.p.A.	2,658		
RDM Blendecques S.A.S.		1,521	346
Reno De Medici Iberica S.L.	12,196	640	
R.D.M. Tissue Core S.r.l. in liquidation	808	12	
Reno De Medici UK Ltd	74	181	
Total	**48,628**	**6,103**	**421**

(1) See RDM income statement – "Revenues from sales – of which related parties" includes "Revenues from sales" intercompany and other related parties

(2) See RDM income statement – "Other revenues and income – of which related parties" includes "Other revenues" intercompany and other related parties

INTRAGROUP COSTS

December 31, 2012	Cost of Raw Materials and Services (1) raw materials	services	Financial expense
(thousands of Euros)			
Careo S.r.l.		5,060	
Cartiera Alto Milanese S.p.A.			5
Reno De Medici Arnsberg Gmbh	1		159
Emmaus Pack S.r.l.	26	65	3
R.D.M. Ovaro S.p.A.			1
Reno De Medici UK Ltd			1
Reno De Medici Iberica S.L.			438
ZAR S.r.l.	3,846		
Total	**3,873**	**5,125**	**607**

(1) See RDM income statement – "Cost of raw material – of which related parties" includes "Raw material and service costs" intercompany and other related parties

December 31, 2011	Cost of Raw Materials and Services (1) raw materials	services	Financial expense
(thousands of Euros)			
Careo S.r.l.		6,979	2
Cartiera Alto Milanese S.p.A.			8
Reno De Medici Arnsberg Gmbh	6		299
Emmaus Pack S.r.l.	194	50	16
Reno De Medici Iberica S.L.			567
Reno De Medici UK Ltd			3
Total	**200**	**7,029**	**895**

(1) See RDM income statement – "Cost of raw material – of which related parties" includes "Raw material and service costs" intercompany and other related parties

RECEIVABLES, PAYABLES, REVENUES AND COSTS WITH OTHER RELATED PARTIES

RECEIVABLES AND PAYABLES WITH OTHER RELATED PARTIES

The table below provides a breakdown of receivables and payables with related parties as at December 31, 2012 and 2011:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities
December 31, 2012	Receivables from third party customers	Non-current receivables	Payables to third party suppliers	Non-current payables
(thousands of Euros)				
Cascades Asia Ltd	81			
Cascades Canada Inc.			13	
Cascades S.A.S.			57	1,204
Cascades Groupe Produits Spec.			1	
Total	81		71	1,204
Share of item total	0.3%		0.1%	80.8%

(1) See statement of financial position – total of item "Other payables" classified in "Non current liabilities"

December 31, 2011	Current assets	Current liabilities	Non-current liabilities
	Receivables from third party customers	Payables to third party suppliers	Non-current payables
(thousands of Euros)			
Cascades Asia Ltd	410		
Cascades Canada ULC		48	
Cascades Djupafors A.B.	37		
Cascades Inc.		4	
Cascades S.A.S.	74	175	1,204
Cascades Groupe Produits Spec.		1	
Total	521	228	1,204
Share of item total	1.1%	0.3%	78.0%

(1) See statement of financial position – total of item "Other payables" classified in "Non current liabilities"

REVENUES AND COSTS WITH OTHER RELATED PARTIES

The tables below provide a breakdown of revenues and costs with other related parties during 2012 and 2011:

December 31, 2012	Revenues from sales (1)
(thousands of Euros)	
Cascades Asia Ltd	1,737
Total	**1,737**
Share of item total	**0.8%**

(1) See RDM income statement – "Revenues from sales – of which related parties" includes "Revenues from sales" intercompany and other related parties

December 31, 2012	Cost of Raw Materials and Services (1)
(thousands of Euros)	
Cascades Canada Inc.	49
Cascades Inc.	12
Cascades S.A.S.	177
Red. Im. S.r.l.	20
Total	**258**
Share of item total	**0.1%**

(1) See RDM income statement – "Cost of raw material – of which related parties" includes "Raw material and service costs" intercompany and other related parties

December 31, 2011	Revenues from sales (1)	Other revenues (2)
(thousands of Euros)		
Cascades Asia Ltd	3,402	
Cascades Djupafors A.B.		11
Cascades S.A.S..	68	27
Total	**3,470**	**38**
Share of item total	**1.2%**	**0.3%**

(1) See RDM income statement – "Revenues from sales – of which related parties" includes "Revenues from sales" intercompany and other related parties

(2) See RDM income statement – "Other revenues – of which related parties" includes "Other revenues" intercompany and other related parties

Cost of Raw Materials and Services (1)	
(thousands of Euros)	
Cascades Canada ULC	189
Cascades Inc.	10
Cascades S.A.S..	304
Red. Im. S.r.l.	20
Total	**523**
Share of item total	**0.2%**

(1) See RDM income statement – "Cost of raw material – of which related parties" includes "Raw material and service costs" intercompany and other related parties

CASH FLOWS WITH RELATED PARTIES

	12.31.2012	12.31.2011
(thousands of Euros)		
Revenues and income	52,258	58,239
Costs and charges	(9,256)	(7,752)
Interest income	332	421
Interest expense	(607)	(895)
Change in trade receivables	(5,981)	8,114
Change in trade payables	(2,976)	3,196
Change in total working capital	(8,957)	11,310
Cash flows from (used by) operating activities	**33,770**	**61,323**
Change in other financial assets, financial liabilities and short-term payables to banks	(15,137)	(6,531)
Change in medium- and long-term loans	(4,941)	(714)
Cash flows from (used by) financing activities	**(20,078)**	**(7,245)**
Cash flows for the year	**13,692**	**54,078**

ANNEX B – EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Equity investments of more than 10% in unlisted or limited-liability companies as at December 31, 2012 (pursuant to article 126 of Consob Regulation no. 11971 of May 14, 1999 as subsequently supplemented and amended).

Cartonboard sector

Cartiera Alto Milanese S.p.A.

Milan – Italy

Direct ownership 100%

Emmaus Pack S.r.l.

Milan - Italy

Direct ownership 51.39%

RDM Blendecques S.A.S.

Blendecques – France

Direct ownership 100%

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

Milan - Italy

Direct ownership 80%

Reno De Medici Arnsberg GmbH

Arnsberg – Germany

Direct ownership 94%

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

Reno De Medici Iberica S.L.

Prat de Llobregat - Barcelona - Spain

Direct ownership 100%

Reno De Medici UK Limited

Wednesbury – UK

Direct ownership 100%

Service sector

Cascades Grundstück GmbH & Co.KG

Arnsberg – Germany

Direct ownership 100%

Cartonboard sector

Manucor S.p.A.

Milan - Italy

Direct ownership 22.75%

Pac Service S.p.A.

Vigonza - Padua - Italy

Direct ownership 33.33%

Carta Service Friuliana S.r.l.

Milan - Italy

Direct ownership 50%

ZAR S.r.l.

Silea - Italy

Direct ownership 33.33%

Service sector

Careo S.r.l.

Milan – Italy

Indirect ownership 70%

Careo Gmbh

Krefeld – Germany

Indirect ownership 70% (through Careo S.r.l.)

Careo S.A.S.

La Fayette – France

Indirect ownership 70% (through Careo S.r.l.)

Careo Spain S.L.

Prat de Llobregat – Barcelona – Spain

Indirect ownership 70% (through Careo S.r.l.)

Careo Ltd

Wednesbury – UK

Indirect ownership 70% (through Careo S.r.l.)

Careo S.r.o.

Prague – Czech Republic

Indirect ownership 70% (through Careo S.r.l.)

Careo KFT

Budapest - Hungary

Indirect ownership 70% (through Careo S.r.l.)

Careo SP z.o.o.

Warsaw - Poland

Indirect ownership 70% (through Careo S.r.l.)

Careo LLC in liquidation

Russia

Indirect ownership 70% (through Careo S.r.l.)

ANNEX C – SHARE-BASED PAYMENT PLANS

Table no. 1, Format 7, Annex 3 of Consob Regulation no. 11971/1991

Name	Title	TABLE 1 Financial instruments other than options Section 2 Newly issued financial instruments resolved by the Board of Directors and submitted to the Shareholders' Meeting						
		Date of Shareholders' Meeting approval	Description of instrument	Number of financial instruments assigned to each beneficiary by Board	Assignment date by Remuneration Committee (cpr) and Board (cda)	Possible share purchase price	Market price at assignment date (1)	End of restriction for instrument sale
Christian Dubé	Chairman	27/04/2011	Phantom Shares	1.400.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Giuseppe Garofano	Vice-President	27/04/2011	Phantom Shares	1.000.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Ignazio Capuano	CEO	27/04/2011	Phantom Shares	1.800.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Stèphane Thiollier	Marketing and Sales Manager	27/04/2011	Phantom Shares	540.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Stefano Moccagatta	CFO	27/04/2011	Phantom Shares	330.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Manfred Draxler	COO	27/04/2011	Phantom Shares	470.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Minoleo Marucci	Coordinator Italy	27/04/2011	Phantom Shares	275.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Silvano Giorgis	Mill Director	27/04/2011	Phantom Shares	250.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Alessandro Magnoni	Mill Director	27/04/2011	Phantom Shares	250.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Francesco Canal	Mill Director	27/04/2011	Phantom Shares	250.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Guido Giuseppe Vigorelli	Head of Procurement & Logistics	27/04/2011	Phantom Shares	250.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Jose Antonio Raso	Mill Director	27/04/2011	Phantom Shares	250.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Veronica Arciuolo	Legal and Corporate Manager	27/04/2011	Phantom Shares	200.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Daniele Gatti	IT Manager	27/04/2011	Phantom Shares	200.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Fabio Invernizzi	Energy Manager	27/04/2011	Phantom Shares	200.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Isabelle Lefebre	Administrative Manager of RDM Blendecques S.A.S..	27/04/2011	Phantom Shares	200.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Marita Lovera	RDM HR Manager	27/04/2011	Phantom Shares	200.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable
Benoit Rimbault	Operations Manager of RDM Blendecques S.A.S..	27/04/2011	Phantom Shares	200.000	21/03/2011(cpr) 21/03/2011 (cda)	Not applicable	0,23	Not applicable

(1) Spot price at March 21, 2011, the date of Board approval.

Note: as of November 17, 2011, Mr. Rosati is no longer a beneficiary of the plan.

ANNEX D – INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB ISSUER REGULATIONS

The table below, prepared pursuant to article 149-duodecies of the Consob Issuer Regulations, shows the 2012 fees for auditing and other services provided by the independent auditor PricewaterhouseCoopers S.p.A. and by members of the PricewaterhouseCoopers network.

DESCRIPTION	Service provider company	Recipient	2012 fees
			(thousands of Euros)
Statutory audit	*Deloitte & Touche S.p.A.*	*Reno De Medici S.p.A. Parent Company*	*148*
	Deloitte & Touche S.p.A.	*Subsidiaries*	*24*
	Network Deloitte & Touche S.p.A.	*Subsidiaries*	*91*
	Network PricewaterhouseCoopers	*Subsidiaries*	*84*
Other auditing services	*Deloitte & Touche*	*Reno De Medici S.p.A. Parent Company*	*100*
	Network Deloitte & Touche	*Subsidiaries*	*30*
Other services	*Network Deloitte & Touche S.p.A.*	*Subsidiaries*	*22*
	Network PricewaterhouseCoopers	*Subsidiaries*	*75*
Total			*575*

BOARD OF STATUTORY AUDITOR'S REPORT

[•]

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

AT DECEMBER 31, 2012, IN COMPLIANCE WITH ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED.

1. The undersigned Mr Ignazio Capuano, as CEO and Stefano Moccagatta as Financial Reporting Executive of Reno De Medici S.p.A., certify, also taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

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

of the administrative and accounting procedures pertaining to the preparation of the year-end financial statements for the period from January 1 to December 31, 2012.

2. No significant issues have emerged in this regard.

3. It is further certified that

3.1. the separate financial statements:

a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;

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

c) are able to provide a true and fair view of the financial position, the results and the cash flows of the issuer and of the companies whose accounts have been consolidated;

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

Milan, March 20, 2013

The CEO signed	The Financial Reporting Executive signed
Ignazio Capuano	Stefano Moccagatta

INDEPENDENT AUDITOR'S REPORT

[•]

PROPOSED RESOLUTION

Dear Shareholders,

the 2012 financial statements, which we submit for your approval, show a loss of €9,931,718.51, which we propose be retained.

If you agree with this proposal, we invite you to approve the following resolution:

"The Ordinary Shareholders' Meeting of Reno De Medici S.p.A.:

- having examined the Directors' Report and all documents attached thereto;

- having examined the Report of the Board of Statutory Auditors;

- having seen the Separate Financial Statements as at 12.31.12;

- having acknowledged the Report of Deloitte & Touche S.p.A.

resolves

• to approve the Directors' Report, the Report on Operations, inclusive of all other documents and Reports, and the Separate Financial Statements as at December 31, 2012;

• to approve the proposal put forward by the Board of Directors to retain the loss for 2012 equal to €9,931,718.51;

• to instruct the Chairman of the Board of Directors and the Chief Executive Officer, separately, to take all such action necessary to publish and file the Financial Statements as at December 31, 2012".

Milan, March 20, 2013

On behalf of the Board of Directors

The Chairman

Signed

Robert Hall

SUMMARY TABLES OF THE KEY FIGURES FROM THE MOST RECENT FINANCIAL STATEMENTS OF THE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES OF THE RENO DE MEDICI GROUP

In accordance with article 2429, paragraphs 3 and 4, of the Italian Civil Code, summary tables of the key figures of Reno De Medici Group subsidiaries and associates as at December 31, 2012, as listed below, are attached hereto.

SUBSIDIARIES

Included in the scope of consolidation

Cartiera Alto Milanese S.p.A.

Cascades Grundstück GmbH & Co.KG

Emmaus Pack S.r.l.

RDM Blendecques S.A.S.

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

Reno De Medici Arnsberg Gmbh

Reno De Medici Iberica S.L.

Reno De Medici UK Limited

ASSOCIATES

Pac Service S.p.A.

JOINT VENTURES

Careo S.r.l.

Carta Service Friuliana S.r.l.

Manucor S.p.A.

ZAR S.r.l.

Cartiera Alto Milanese S.p.A.

Registered office in Milan – Via Durini, 16/18

Share capital €200,000

Statement of Financial Position

(thousands of Euros)

Assets	12.31.2012	12.31.2011
Fixed assets	124	105
Working capital	9,232	7,320
TOTAL ASSETS	9,357	7,425
Liabilities and shareholders' equity	12.31.2012	12.31.2011
Shareholders' Equity	1,162	1,189
Provisions for Risks and Charges	155	141
TFR		-
Payables	8,039	6,095
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,357	7,425

Income Statement

(thousands of Euros)

	12.31.2012	12.31.2011
Value of production	17,439	18,614
Cost of production	(17,285)	(18,334)
Operating profit	154	280
Financial income (expense)	(51)	(41)
Profit (loss) before taxes	103	239
Taxes for the year	(48)	(106)
Profit (loss) for the year	53	133

Cascades Grundstück GmbH & Co.KG

Registered office in Arnsberg – Hellefelder Street, 51

Share capital €5,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2012	12.31.2011
Fixed assets	306	307
Working capital	2	2
TOTAL ASSETS	307	309
Liabilities and shareholders' equity	12.31.2012	12.31.2011
Shareholders' Equity	305	307
Provisions for Risks and Charges		-
TFR		-
Payables	3	2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	307	309

Income Statement

(thousands of Euros)		
	12.31.2012	12.31.2011
Value of production		-
Cost of production	(7)	(9)
Operating profit	(7)	(9)
Financial income (expense)		-
Profit (loss) before taxes	(7)	(9)
Taxes for the year		-
Profit (loss) for the year	(7)	(9)

Emmaus Pack S.r.l.

Registered office in Milan – Via Durini, 16/18

Share capital €200,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2012**	**12.31.2011**
Fixed assets	480	483
Working capital	11,461	10,848
TOTAL ASSETS	**11,942**	**11,331**
Liabilities and shareholders' equity	**12.31.2012**	**12.31.2011**
Shareholders' Equity	1,195	1,471
Provisions for Risks and Charges	82	76
TFR	213	187
Payables	10,451	9,597
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,942**	**11,331**

Income Statement

(thousands of Euros)		
	12.31.2012	**12.31.2011**
Value of production	19,555	21,648
Cost of production	(18,941)	(20,631)
Operating profit	**614**	**1,017**
Financial income (expense)	(57)	(28)
Profit (loss) before taxes	**558**	**989**
Taxes for the year	(253)	(394)
Profit (loss) for the year	**304**	**595**

RDM Blendecques S.A.S.

Registered office in Blendecques – Rue de L'Hermitage B.P. 53006

Share capital €1,037,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2012	12.31.2011
Fixed assets	7,080	6,227
Working capital	13,559	15,447
TOTAL ASSETS	20,639	21,674
Liabilities and shareholders' equity	12.31.2012	12.31.2011
Shareholders' Equity	(3,725)	(7,317)
Provisions for Risks and Charges	1,371	1,379
TFR	2,773	2,305
Payables	20,221	25,307
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	20,639	21,674

Income Statement

(thousands of Euros)		
	12.31.2012	12.31.2011
Value of production	59,770	63,328
Cost of production	(60,546)	(64,574)
Operating profit	(777)	(1,246)
Financial income (expense)	(334)	(345)
Profit (loss) before taxes	(1,111)	(1,591)
Taxes for the year	(118)	8
Discontinued operations		(536)
Profit (loss) for the year	(1,229)	(2,119)

Reno De Medici Arnsberg Gmbh

Registered office in Arnsberg - Hellefelder Street, 51

Share capital €5,112,919

Statement of Financial Position

(thousands of Euros)

Assets	12.31.2012	12.31.2011
Fixed assets	74,202	80,488
Working capital	40,754	41,128
TOTAL ASSETS	114,956	121,616
Liabilities and shareholders' equity	12.31.2012	12.31.2011
Shareholders' Equity	57,961	64,914
TFR	13,879	10,640
Payables	43,116	46,062
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	114,956	121,616

Income Statement

(thousands of Euros)

	12.31.2012	12.31.2011
Value of production	121,559	123,865
Cost of production	(123,335)	(124,578)
Operating profit	(1,776)	(713)
Financial income (expense)	(422)	(911)
Profit (loss) before taxes	(2,198)	(1,624)
Taxes for the year	274	314
Profit (loss) for the year	(1,923)	(1,310)

Reno De Medici Iberica S.L.

Registered office in Prat De Llobregat (Barcelona) calle Selva, 2

Share capital €7,467

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2012	12.31.2011
Fixed assets	6,916	11,711
Working capital	11,554	37,833
TOTAL ASSETS	18,470	49,544
Liabilities and shareholders' equity	12.31.2012	12.31.2011
Shareholders' Equity	8,277	40,250
Provisions for Risks and Charges		-
TFR		-
Payables	10,193	9,294
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	18,470	49,544

Income Statement

(thousands of Euros)		
	12.31.2012	12.31.2011
Value of production	34,335	38,716
Cost of production	(34,890)	(38,942)
Operating profit	(555)	(226)
Financial income (expense)	176	251
Profit (loss) before taxes	(379)	25
Taxes for the year	-	(827)
Profit (loss) for the year	(379)	(802)

Reno De Medici UK Limited

Registered office in Wednesbury – Pacific Avenue, Parkway

Share capital €12,433,461

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2012**	**12.31.2011**
Fixed assets	402	454
Working capital	4,325	4,315
TOTAL ASSETS	**4,727**	**4,769**
Liabilities and shareholders' equity	**12.31.2012**	**12.31.2011**
Shareholders' Equity	1,529	2,134
Provisions for Risks and Charges	245	239
TFR	35	26
Payables	2,918	2,370
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,727**	**4,769**

Income Statement

(thousands of Euros)		
	12.31.2012	**12.31.2011**
Value of production	7,848	8,041
Cost of production	(8,518)	(8,225)
Operating profit	**(671)**	**(184)**
Financial income (expense)	11	1
Profit (loss) before taxes	**(659)**	**(183)**
Taxes for the year	-	-
Profit (loss) for the year	**(659)**	**(183)**

Reno De Medici Ovaro S.p.A. (formely Reno Logistica S.r.l. in liquidation)

Registered office in Milan – Via Durini, 16/18

Share capital €12,500

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2012**	**12.31.2011**
Fixed assets	11,155	-
Working capital	22,056	114
TOTAL ASSETS	**33,212**	**114**
Liabilities and shareholders' equity	**12.31.2012**	**12.31.2011**
Shareholders' Equity	9,381	(210)
Provisions for Risks and Charges	170	-
TFR	2,456	-
Payables	21,205	324
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**33,212**	**114**

Income Statement

(thousands of Euros)		
	12.31.2012	**12.31.2011**
Value of production	22,028	-
Cost of production	(20,872)	(8)
Operating profit	**1,156**	**(8)**
Financial income (expense)	(276)	-
Profit (loss) before taxes	**880**	**(8)**
Taxes for the year	(260)	2
Profit (loss) for the year	**621**	**(6)**

Careo S.r.l. (*)

Registered office in Milan – Via Durini, 16/18

Share capital €100,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2012	12.31.2011
Non-current assets	850	997
Current assets	10,425	13,388
TOTAL ASSETS	12,275	14,385
Liabilities and shareholders' equity	12.31.2012	12.31.2011
Shareholders' equity	(173)	810
Non-current liabilities	2.828	2,902
Current liabilities	8.620	10,673
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12.275	14,385

Income Statement

(thousands of Euros)		
	12.31.2012	12.31.2011
Value of production	12,932	15,533
Cost of production	(13,581)	(14,662)
Operating profit	(649)	871
Financial income (expense)	(161)	(96)
Profit (loss) before taxes	(810)	775
Taxes for the year	(124)	(423)
Profit (loss) for the year	(934)	352

(*) Figures refer to the consolidated data prepared for equity accounting used in the Reno De Medici Group Consolidated Financial Statements.

Manucor S.p.A.

Registered office in Milan – Via Durini, 16/18

Share capital €10,000,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2012	12.31.2011
Non-current assets	81,618	86,234
Current assets	43,269	53,374
TOTAL ASSETS	124,887	139,608
Liabilities and shareholders' equity	12.31.2012	12.31.2011
Shareholders' equity	6,331	16,441
Non-current liabilities	24,581	89,816
Current liabilities	93,974	33,352
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	124,887	139,608

Income Statement

(thousands of Euros)		
	12.31.2012	12.31.2011
Value of production	156,861	160,127
Cost of production	(167,006)	(164,338)
Operating profit	(10,145)	(4,211)
Financial income (expense)	(1,714)	(1,163)
Other income (expense)		
Profit (loss) before taxes	(11,859)	(5,373)
Taxes for the year	1,995	747
Profit (loss) for the year	(9,864)	(4,627)

PAC Service S.p.A.

Registered office in Vigonza (PD) – Via Julia, 47

Share capital €1,000,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2012	12.31.2011
Fixed assets	2,500	2,728
Working capital	8,144	7,726
TOTAL ASSETS	10,644	10,454
Liabilities and shareholders' equity	12.31.2012	12.31.2011
Shareholders' Equity	5,607	5,467
Provisions for Risks and Charges	115	115
TFR	450	472
Payables	4,472	4,400
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,644	10,454

Income Statement

(thousands of Euros)		
	12.31.2012	12.31.2011
Value of production	15,400	16,761
Cost of production	(14,515)	(15,954)
Operating profit	885	807
Financial income (expense)	15	18
Profit (loss) before taxes	900	825
Taxes for the year	(300)	(299)
Profit (loss) for the year	600	526

Carta Service Friuliana S.r.l. (formerly RDM. Tissue Core S.r.l. in liquidation)

Registered office in Milan - Via Durini, 16/18

Share capital €100,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2012	12.31.2011
Fixed assets		4
Working capital		317
TOTAL ASSETS		321
Liabilities and shareholders' equity	12.31.2012	12.31.2011
Shareholders' Equity		(45)
TFR		
Payables		366
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		321

Income Statement

(thousands of Euros)		
	12.31.2012	12.31.2011
Value of production		960
Cost of production		(1,000)
Operating profit		(40)
Financial income (expense)		(2)
Profit (loss) before taxes		(42)
Taxes for the year		-
Profit (loss) for the year		(42)

Zar S.r.l.

Registered office in Milan

Share capital €90,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2012**	**12.31.2011**
Non-current assets	4	4
Working capital	1,109	85
TOTAL ASSETS	**1,113**	**89**
Liabilities and shareholders' equity	**12.31.2012**	**12.31.2011**
Shareholders' Equity	92	89
TFR		
Payables	1,021	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,113**	**89**

Income Statement

(thousands of Euros)		
	12.31.2012	**12.31.2011**
Value of production	11,820	
Cost of production	(11,816)	(1)
Operating profit	**4**	**(1)**
Financial income (expense)	(1)	
Profit (loss) before taxes	**3**	**(1)**
Taxes for the year	-	
Profit (loss) for the year	**3**	**(1)**