



Reno De Medici

Reno De Medici



REPORTS AND FINANCIAL STATEMENTS

FOR THE 85<sup>TH</sup> FISCAL YEAR

ENDED DECEMBER 31, 2013

ORDINARY SHAREHOLDERS' MEETING

APRIL 28, 2014 FIRST CALL

APRIL 29, 2014 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 and Stakeholders,

The approval of the financial statements for the year ended December 31, 2013, marks the end of the mandate given to us in 2011 that had coincided with a crisis that what has been described by all as the most serious crisis since the Second World War and has spared no section of the economy and has forced everyone (from individuals to companies to national governments) to take some difficult decisions.

We are beginning to see the faint signs of a recovery that has been heralded on numerous occasions, but the truth is that we still cannot say we are completely in the clear. However, we can hope the worst is over.

Unfortunately, the critical situation mentioned above has not spared our Group, which has had to rationalize and reorganize its production capacity.

However, these changes have enabled our Group to maintain its position on the European market as well as its presence in Italy, with 3 of the 5 original plants continuing to provide employment for more than 1,500 people (excluding ancillary employment). By virtue of its presence, our Group has contributed a total of €11.171 million (in the form of direct and indirect taxes, contributions and social costs) to the economies of each country in which it operates. Although the greatest contribution has been to the Italian system, it saddens us to note that Italy repays its own companies less than any other country in the Eurozone. In particular, our industry has to face higher costs for energy, logistics and social security contributions, as well as the existing elephantine bureaucratic machine that encumbers our companies instead of supporting them.

Despite the difficulties encountered, however, the RDM Group achieved quite significant results in 2013. In industrial terms, it achieved a number of objectives that even exceeded those set at the end of 2012, and at the same time we strengthened our financial and capital solidity. It was by no means taken for granted that this would happen, especially as this was an extraordinarily complex and difficult year. But this shows us and reassures us that the choices made were the right ones for the survival of the entire Group. We hope that 2013 marks the beginning of a new phase in the challenging chapter begun in 2008 with the merger with the European companies of the Cascades Group operating in the production of white lined chipboard produced from recycled fibers.

Despite this period of austerity and sacrifices, the Group has continued to operate with the greatest attention to issues of social and local responsibility, implementing its own programs for reducing the use of natural resources and limiting CO2 emissions (see page 24 et seq. of the 2013 Social and Environmental Report). We have also implemented certifications for the business management systems and ensured that high levels of safety are maintained.

Our commitment toward a sustainable business model is set out in detail in the 2013 Social and Environmental Report, which we invite you to consult.

From the experience of this three-year period, we are certain that we have learned a fundamental principle: crises – especially when they are as profound and persistent as the one we are currently going through – are never only market-constricting factors, but also bring with them great transformations and opportunities. And for this reason they require businesses to have the ability to go beyond contingency management, which is of course essential. The RDM Group has been

able to measure up to the complexity of the changes, because it has chosen to pursue a course of sustainable development.

Finally, I would like to offer my personal thanks: to all the employees and collaborators of the RDM Group, who, through their commitment and sacrifice, have enabled us to achieve these important results; to all the members of the Board of Directors who are completing their term of office, for their support and professional contribution to overcoming the difficulties of the last three years; and last but not least, to you, the shareholders, for the trust you have placed in me and the opportunity to experience this adventure.

Milan, March 20, 2014

The Chief Executive Officer

***Ignazio Capuano***

## CONVENING OF SHAREHOLDERS' MEETING

## SUMMARY DATA AND GENERAL INFORMATION

BOARD OF DIRECTORS AND AUDITORS .....	13
MAIN ECONOMIC-FINANCIAL DATA OF THE GROUP AND RENO DE MEDICI S.P.A. ....	14
GROUP OPERATING COMPANIES AS OF DECEMBER 31, 2013 .....	18
SHAREHOLDERS.....	19

## DIRECTORS' REPORT

REFERENCE MARKET AND PERFORMANCE .....	23
MAIN OPERATIONS OF THE RENO DE MEDICI GROUP IN 2013 .....	26
MAIN RISKS AND UNCERTAINTIES TO WHICH RENO DE MEDICI S.P.A. AND THE GROUP ARE EXPOSED .....	28
THE RDM GROUP'S OPERATING, BALANCE SHEET AND FINANCIAL PERFORMANCE .....	31
OPERATING, BALANCE SHEET AND FINANCIAL PERFORMANCE OF RENO DE MEDICI S.P.A. ....	40
RECONCILIATION BETWEEN THE RESULT FOR THE PERIOD AND SHAREHOLDERS' EQUITY OF THE GROUP WITH THE PARENT COMPANY RENO DE MEDICI S.P.A. ....	46
RECONCILIATION BETWEEN NET FINANCIAL POSITION OF THE GROUP WITH THE PARENT COMPANY RENO DE MEDICI S.P.A. ....	47
OTHER INFORMATION .....	48
SUBSEQUENT EVENTS .....	52
OUTLOOK.....	53
REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE .....	54

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2013

CONSOLIDATED STATEMENT OF INCOME.....	105
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	106
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	107
CONSOLIDATED STATEMENT OF CASH FLOWS .....	109
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY .....	110
NOTES TO THE FINANCIAL STATEMENTS .....	111
ACCOUNTING PRINCIPLES .....	115
OTHER INFORMATION .....	189
SUBSEQUENT EVENTS .....	194
CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	195
INDEPENDENT AUDITOR'S REPORT .....	196

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2013

STATEMENT OF INCOME .....	201
STATEMENT OF COMPREHENSIVE INCOME .....	202
STATEMENT OF FINANCIAL POSITION .....	203
STATEMENT OF CASH FLOWS .....	205
STATEMENT OF STOCKHOLDERS IN EQUITY .....	206
NOTES TO THE SEPARATE FINANCIAL STATEMENTS .....	207
ACCOUNTING PRINCIPLES.....	210
ANNEX A – BREAKDOWN OF RELATED-PARTY AND INTRAGROUP TRANSACTIONS AS AT DECEMBER 31, 2013 .....	284
ANNEX B – EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES.....	292
ANNEX C – SHARE-BASED PAYMENT PLANS .....	296
ANNEX D – INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB ISSUER REGULATIONS .....	297
BOARD OF STATUTORY AUDITOR’S REPORT .....	298
CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS .....	299
INDEPENDENT AUDITOR’S REPORT.....	300

## PROPOSED RESOLUTION

## 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



## CONVENING OF SHAREHOLDERS' MEETING

The holders of right voting of Reno De Medici S.p.A. (hereafter also RDM and/or the Company) are called to an Ordinary General Meeting at 10.30 a.m. on April 28, 2014 at the Company's registered office in Via Durini 16/18, Milan in first call and, if necessary, **at 10.30 a.m. on April 29, 2014** at Centro Congressi Fondazione Stelline, Corso Magenta n. 61/63, Milan in second call to discuss and adopt resolutions on the following

### Agenda

1. Annual financial statements for the year ended December 31, 2013: related resolutions.
  - 1.1. Approval of the annual financial statements for the year ended December 31, 2013. Reports of the Board of Directors with the proposal of results, the Board of Statutory Auditors and the Independent Auditors;
  - 1.2. Presentation of the consolidated financial statements for the year ended December 31, 2013;
  - 1.3. Presentation of Social and Environmental Report for year 2013.
2. Appointment of the Board of Directors:
  - 2.1. Appointment of the Board of Directors and the Chairman after establishing the number of its members and their term of office.
  - 2.2. Determination of the annual compensation of members of the Board of Directors.
3. Report on Remuneration pursuant to Article 123-ter of Legislative Decree 58/98 as subsequently amended and supplemented ("CFA"): subsequent and resulting resolutions.

\* \* \*

## 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 €185,122,487.06, divided into 377,800,994 shares, subdivided as follows:
  - 1) 377,509,870 ordinary shares;
  - 2) 291,124 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 AND PRESENTATION OF NEW PROPOSALS FOR DELIBERATION

Pursuant to Article 126-bis of Legislative Decree 58/98, shareholders who, including jointly, represent at least one-fortieth of the share capital represented by shares with voting rights may request, within ten days from the date of publication of this notice, the addition of items to the agenda for discussion, indicating in the request the additional items proposed by them, or they may present proposals for deliberation on items already on the agenda. 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 additions will be accepted in relation to matters on which the Shareholders' Meeting resolves, in accordance with the law, on the proposal of the directors or on the basis of a plan or report prepared by them. Any supplemented list of matters to be considered at the Shareholders' Meeting will be published at least fifteen days prior to the date set for the meeting, with the same publication procedures as this notice. 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 15, 2014).

Persons who become holders of shares after April 15, 2014 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 dematerializing management system pursuant to Article 17 of the Consob/Banca d'Italia Joint Communication of October 22, 2013, and request the transmission of the aforesaid communication.

Persons entitled to participate in the Meeting are requested to attend ahead of the time set for the meeting in order to facilitate registration operations, which will begin at 10.00 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](http://www.renodemedici.it) can be used for this purpose.

The proxy can be sent by 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](mailto: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 by recorded delivery to Studio Segre S.r.l., 41 Via Valeggio, 10129 Turin, or by certified electronic post to the e-mail address [segre@legalmail.it](mailto: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 Thursday April 24, 2014 for the first call and by Friday April 25, 2014 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.it](mailto:renodemedici@pec.it), by the day preceding the date set for the Shareholders' Meeting at first call. The answers will be provided during the Meeting.

## APPOINTMENT OF THE BOARD OF DIRECTORS

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

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

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

The lists presented by shareholders and signed by the people presenting them must be lodged at the Company's registered office in Via Durini 16/18, Milan, or they can be sent electronically to the certified email address: [renodemedici@pec.rdmgroup.com](mailto:renodemedici@pec.rdmgroup.com), in order that they may be made available to anyone making a request, at least twenty five days prior to the date established for the Shareholders' Meeting in first call and will be publicized by the other means provided by prevailing laws and regulations.

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

Only shareholders who, on their own or together with other presenting shareholders, hold in total shares representing at least 2.5% of share capital with voting rights in an ordinary Shareholders' Meeting are entitled to present lists pursuant to Consob Resolution number 18775 of January 29, 2014.

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

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

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

The procedure to apply for the election of the Board of Directors is provided for in article n. 12 of the By-Laws available for consultation on the Company's website [www.renodemedici.it/governance/By-Laws](http://www.renodemedici.it/governance/By-Laws).

## DOCUMENTATION

It is hereby noted that at the same time as this notice was published the Report of the Board of Directors on the matters included in the agenda was put at the public's disposal by being lodged at the Company's registered office in Via Durini 16/18, Milan and at Borsa Italiana S.p.A. and by being posted on the Company's website, with the possibility of obtaining a copy.

The Company's Annual Report, consisting of the draft Annual Financial Statements, the Consolidated Financial Statements, the Report of the Board of Directors, the Attestation of the Manager Responsible for the Preparation of Company Accounting Documents and of the delegated body, the Report of the Board of Statutory Auditors, the Report of the Independent Auditors, the Report pursuant to article 123-bis of the CFA and the Remuneration Report pursuant to article 123-ter of the CFA will be put at the public's disposal within the terms of law at the Company's registered office in Via Durini 16/18, Milan and at Borsa Italiana S.p.A. and will be available for consultation on the Company's website [www.renodemedici.it](http://www.renodemedici.it).

Milan, March 19, 2014

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

Below are the main figures from the income statement and statement of financial position as at December 31, 2013 compared with those for the previous financial year, relating to the Reno De Medici Group (the “Group” or “RDM Group”).

RDM GROUP	12.31.2013	12.31.2012
<b>(Euro millions)</b>		
<b>INCOME STATEMENT (1)</b>		
Revenues from sales	469	466
EBITDA excluding costs associated with inactive mills (*)	40	33
Gross Operating Profit (EBITDA)	38	27
Depreciation, amortization and write-downs	(30)	(28)
Operating Profit (EBIT)	8	(1)
Profit (loss) for the year	2	(12)
Group's share of profit (loss) for the year	2	(12)
<b>BALANCE SHEET</b>		
- Non-current assets (2)	223	240
- Non-current liabilities, employee benefits and other provisions (3)	(48)	(52)
- Current assets (liabilities) (4)	(2)	(7)
- Working capital (5)	40	42
Net invested capital (NIC) (6)	213	223
Net financial debt (7)	73	86
Shareholders' equity	140	137
<b>RATIOS</b>		
Gross operating margin excluding costs of non-operational mills/ Revenues from sales	8.5%	7.1%
Gross operating margin / Revenues from sales	8.2%	5.8%
Operating profit / NIC	4%	(0.4%)
Debt ratio (net financial debt /NIC)	34.4%	38.6%

(\*) EBITDA excluding costs associated with the Magenta and Marzabotto mills which amounted to €2 million in 2013.

(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 provisions for risks and charges.”

- (4) See RDM Group consolidated financial statements – sum of the following items “Other receivables” net of €115,000 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 “Receivables from associates and joint ventures” classified under the item “Current assets” and the item “Trade receivables” classified under the item “Non-current assets”, net of the item “Trade payables” and “Payables to associates and joint ventures” classified under the item “Current liabilities”.
- (6) Sum of the items listed above.
- (7) See RDM Group consolidated financial statements – sum of the following items: “Cash and cash equivalents”, “Other receivables from associates and joint ventures”, classified under “Current assets” to which the €115,000 is added relating to an entry of a financial nature included under the item “Other receivables”, net of the following items “Payables to banks and other lenders” and “Derivative instruments”, classified under “Non-current liabilities” and “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to associates and joint ventures”, classified under “Current liabilities”.

The main figures from the income statement and statement of financial position as at December 31, 2013 are given below, compared with those for the previous financial year, relating to the financial statements of the Parent Company.

RDM	12.31.2013	12.31.2012
(Euro millions)		
<b>INCOME STATEMENT (8)</b>		
Revenues from sales	216	231
EBITDA excluding costs associated with inactive mills (*)	26	22
Gross Operating Profit (EBITDA)	24	16
Depreciation, amortization and write-downs	(17)	(17)
Operating Profit (EBIT)	7	0
Profit (loss) for the year	1	(10)
<b>BALANCE SHEET</b>		
- Non-current assets (9)	209	224
- Non-current liabilities, employee benefits and other provisions (10)	(15)	(16)
- Current assets (liabilities) (11)	1	(4)
- Working capital (12)	21	18
Net invested capital (NIC) (13)	216	222
Net financial debt (14)	70	77
Shareholders' equity	146	145
<b>RATIOS</b>		
Gross operating margin excluding costs of non-operational mills/ Revenues from sales	11.6%	9.5%
Gross operating margin / Revenues from sales	11%	7%
Operating profit / NIC	3.3%	(0.2)%
Debt ratio (net financial debt /NIC)	33%	34.9%

(\*) EBITDA excluding costs associated with the Magenta and Marzabotto mills which amounted to €2 million in 2013. See RDM's financial statements.

(8) See RDM's financial statements – total of item “Non-current assets”.

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

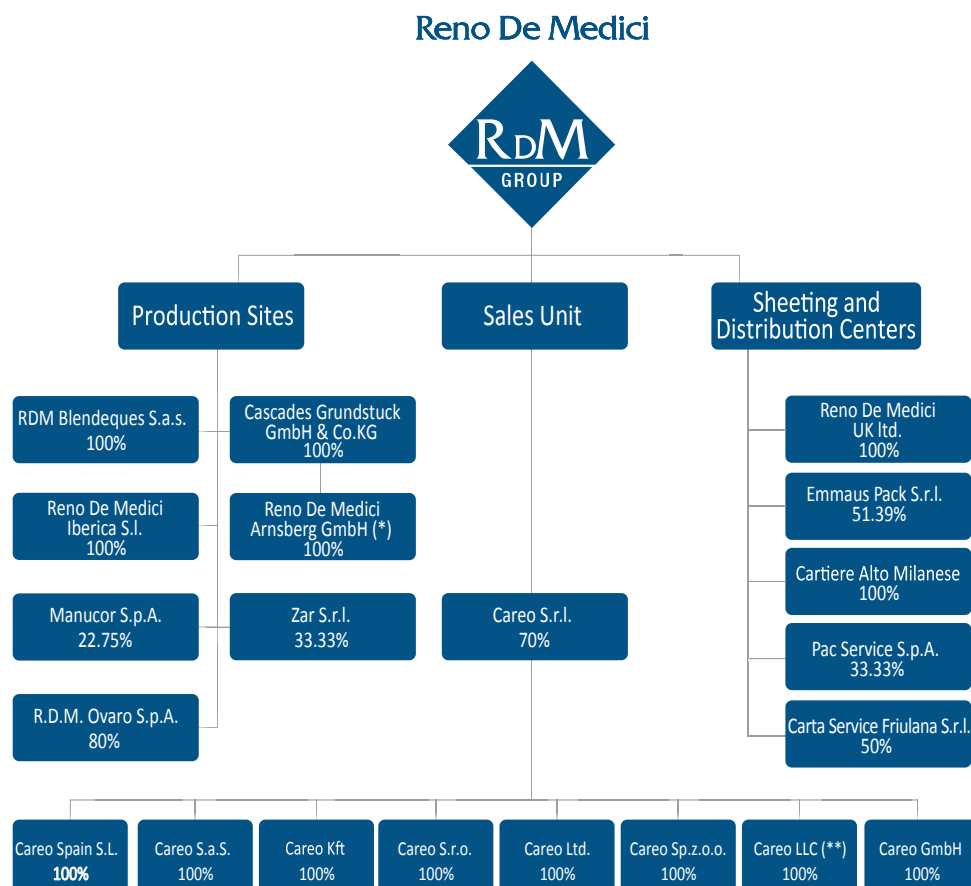
(10) See RDM 's financial statements – sum of the following items “Other receivables” net of €115,000 relating to an entry of a financial nature classified under the item “Current assets”, net of the following items “Other payables”, “Current taxes” and “Employee benefits”, classified under “Current liabilities”.

(11) See RDM's 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”.

- (12) Sum of the items listed above.
- (13) See RDM's financial statements – sum of the following items: "Cash and cash equivalents" and "Other receivables from Group companies", classified under "Current assets", to which €115,000 is to be added relating to an entry of a financial nature included under the item "Other receivables", net of the following items "Payables to banks and other lenders", "Derivative instruments" and "Other payables to Group companies", classified under "Non-current liabilities" and "Payables to banks and other lenders", "Derivative instruments" and "Other payables to Group companies", classified under "Current liabilities".
- (14) 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 €115 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".

## GROUP OPERATING COMPANIES AS AT DECEMBER 31, 2013

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



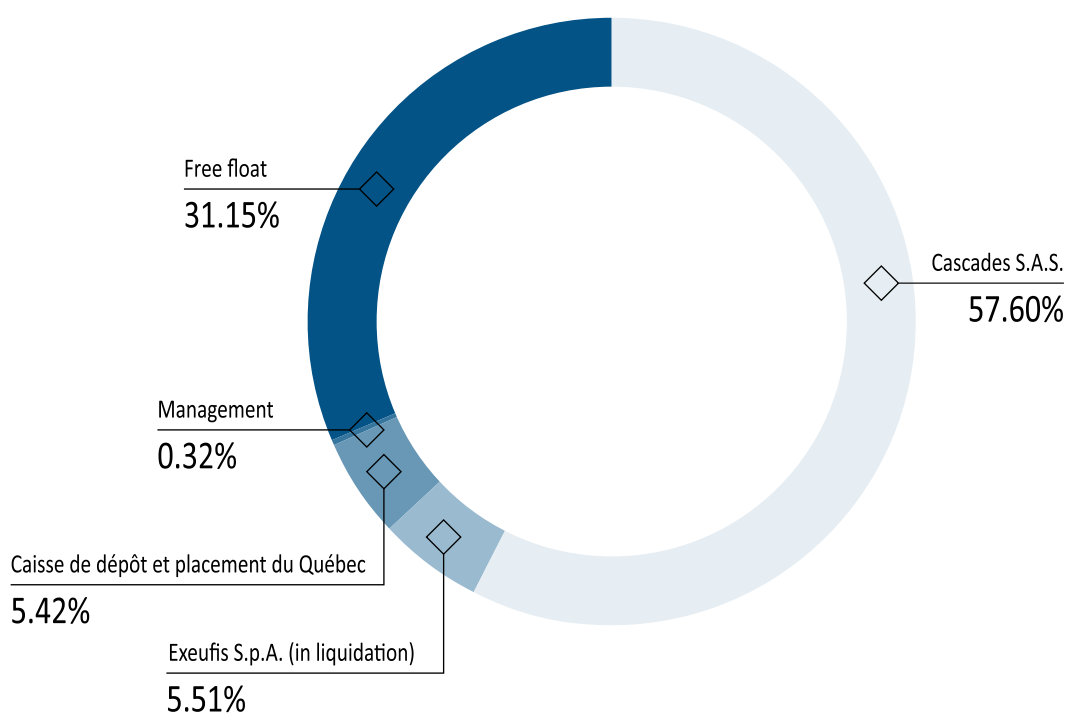
(\*) Company owned 94% by Reno De Medici S.p.A. and 6% by Cascades Grundstück GmbH & Co.KG.

(\*\*) Company in liquidation

## SHAREHOLDERS

Below is the situation regarding RDM's share ownership as at March 20, 2014, in accordance with information from 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.	377,509,870
Convertible savings shares	n.	291,124
<b>Total shares</b>	n.	<b>377,800,994</b>







**DIRECTORS'  
REPORT**



## REFERENCE MARKET AND PERFORMANCE

The overall economic situation showed strengthening signs of recovery, although the extent of the recovery is less than initial expectations. Overall growth was 3% driven by emerging countries that rose by 4.7% compared to 1.3% in advanced economies, among which the good performance of the US (+1.9%), Japan (+1.7%) and the UK (+1.7%) stood out, while the Eurozone again reported a slight contraction of -0.4%.

Moreover, there were significant differences in this environment between stronger countries and those that are structurally more vulnerable among both advanced economies and emerging countries.

All countries in the Eurozone demonstrated clear signs of improvement, including those countries hit hardest by the long recession (Ireland, Spain and Italy), but there is still a significant gap with Germany and countries in northern Europe. This is a slow and limited recovery that has been slowed by structural weaknesses in the area: high public and private debt, financial fragmentation, a prolonged credit freeze with a negative impact on companies, weakness of domestic demand and reduction in household consumption. These weaknesses are particularly prominent in countries such as Italy and Spain in which the unemployment rate, which is still very high due to the natural lag of employment increases behind the economic cycle, has slowed the recovery of household consumption. With regard to Italy, however, comments by the Bank of Italy pointed to an interruption in the fall of GDP in the third quarter and 'slightly positive' growth in the fourth quarter.

In 2013 emerging countries reported a slowdown in growth rates, with equally significant differences among countries, especially in the second half of the year. On the one hand, the second half saw the positive 'surge' in growth in China (+7.7% estimated for 2013) and in India (+4.4%), contrasted with a decisive slowdown in other countries (Argentina, South Africa, Russia, Turkey and even Brazil) where historical structural weaknesses are resurging, accentuated by the volatility in capital flows, the decline in commodity prices, and in certain cases, political and social tensions.

The positive trend in the overall outlook is partly attributable to growth in European demand for white lined chipboard for packaging from recycled fibers, which in terms of volume shipped in 2013 was up by 2.5% over 2012 and slightly above 2011 levels. The trend is positive in all major countries including Italy (+1.6%), but excluding Spain. Growth in Europe resulted in a decline in sales in overseas markets with lower profitability with a resulting improvement in the geographic mix.

With regard to Reno De Medici, in 2013, consolidated revenues reached a level of €469 million, a slight increase over the €466 million reported in 2012. There was an increase in tons sold from 834,000 tons in 2012 to 862,000 tons in 2013. In May the Reno De Medici Group ordered an increase in sales price that was necessary to recover profitability, which had gradually eroded, starting in the second half of 2012, due, in fact, to the gradual decrease in prices. There was also an improvement in geographic mix with growth in tons sold in European markets, and in particular in Italy, France and Germany, and a decline in sales in overseas markets which benefited profitability. All plants worked at maximum production capacity.

In terms of the cost of the main factors of production, during the year raw material prices remained largely stable, partly in relation to the slowdown of exports of fibrous products to China due to three main events: the slowdown of the local economy, the increase in domestic consumption of paper and cardboard and the consequent increase in domestic collection, the new, higher quality standards imposed by the Chinese Authorities to the imports of pulp reduced imports of these products.

As a result of the above, exports of pulp from Europe to China fell in 2013 by 9%.

As far as the growth of energy costs is concerned, after the peak recorded in the first quarter, the price of natural gas stood at lower levels than in 2012; also note, however, that in Italy the level is higher than the European average. As far as Reno De Medici is concerned, the supply agreements signed for 2013 allowed for significant savings over the previous year.

The price of coal, the main energy source of the Arnsberg mill, dropped continually especially at the beginning of the year.

In 2013, the cost of labor rose slightly over the previous year from €72.4 to €73.3 million. The increase was essentially due to provisions related to the restructuring plan approved during 2013 that affected Italian production units.

The higher sales volumes and reduction in energy costs, both in terms of prices and efficiency, have been determining factors in the improvement of EBITDA. Added to these factors is the recognition of revenues from “energy efficiency certificates” or “TEE” (“white certificates”) accrued within energy saving projects implemented in the Italian mills. EBITDA also includes the costs associated with the closure of Reno De Medici UK and the provisions relating to the reorganization plan of the cutting center activities.

Total actual EBITDA as at December 31, 2013 was €38.2 million, an appreciable improvement over the €27 million for the same period in the previous year.

EBITDA, excluding the costs still generated by inactive mills amounts to €40.3 million against €32.9 million as at December 31, 2012. In more detail, the costs associated with the Magenta and Marzabotto mills were €1.9 million and €0.2 million, respectively.

EBITDA includes write-downs on property for a total value equal to €5.2 million, with €3.0 million attributable to the write-down of the **Marzabotto and Magenta** mills (where paper production activities were already ceased in previous financial periods), in order to adjust their book value to the current market value. This was in addition to the write-down of fixed assets of the Spanish plant of **Almazán** totaling €1.3 million, as a result of the impairment test performed.

Consolidated EBIT was positive at €8.5 million, which is also an improvement compared to the loss of €1.5 million reported in 2012.

Equity investments were written down by a net total of €1.1 million. The main component was the total write-down of the investment in **Manucor S.p.A.** in the amount of €1,441,000. The investee company, which had reported losses in 2012 greater than one third of capital, with the resulting need to take action pursuant to Article 2446 of the Italian Civil Code, reported additional losses in 2013. The Board of Directors of the joint venture called the Extraordinary Shareholders’ Meeting of

the Company to proceed with the reduction and reconstitution of the share capital to be finalized through a capital increase of up to €15 million: the meeting that will resolve on the above mentioned measures has been adjourned to April 8, 2014. Reno De Medici, while approving the capital increase, will not be participating in the subscription operation, wishing to concentrate its resources on the development of core activities and therefore has cancelled its investment.

Net Financial Expenses stood at €6.5 million in 2013, an improvement of €586,000 over the previous year, due largely to the fall in interest rates, which offset the absence of the foreign exchange profits that benefited 2012, largely due to the revaluation of the US dollar.

Consolidated pre-tax income/loss was a positive figure of €0.9 million, compared to a loss of €11.5 million reported as at December 31, 2012.

The balance of current tax items and deferred tax liabilities/assets was positive at €1.1 million due to the allocation of deferred tax assets and the release of deferred tax liabilities at the parent company totaling €3.3 million. Deferred tax assets were recorded partly due to the improved profitability outlook and were recognized both on a portion of past tax losses and on the charge-back of timing differences, based on estimated recoverability.

The Group's operating result for the period is positive in the amount of €2 million, compared to the loss of €12.2 million reported as at December 31, 2012.

In 2013 the RDM Group's capital expenditures totaled €14.7 million (€17.1 million in 2012).

As at December 31, 2013, consolidated net financial debt was €73.5 million, an improvement of €12.8 million compared to the €86.3 million as at December 31, 2012. This improvement is essentially the result of industrial activity; in addition, during the course of the year, there was greater recourse to credit factoring operations partly offset by a reduction in the payment terms of some energy suppliers. Lastly, note that in 2013 the receivables from the sale of the Magenta continuous paper machine were partly cashed.

## MAIN OPERATIONS OF THE RENO DE MEDICI GROUP IN 2013

On February 18, 2013, the banks Intesa Sanpaolo S.p.A. and UniCredit S.p.A. approved the cancellation of the release from the mortgages existing on all properties owned by Reno De Medici S.p.A. as well as the of the special lien on the assets comprising the business division sold by Reno De Medici 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 Labor and Social Policy and the trade union associations signed an agreement pursuant to which Reno De Medici S.p.A. will be able to make use of the wage guarantee fund (CIGS) for some employees, particularly at the Magenta mill, which is the subject of a study for industrial reconversion following the cessation of paper-making activities.

On June 1, the board machine and related spare parts of the closed Magenta mill were sold. The collection of proceeds, which is tied to the dismantling process, has mostly been carried out and will be completed at the beginning of 2014.

On June 18, 2013, after Industria ed Innovazione S.p.A. exercised the put option pursuant to the agreement of August 3, 2010, Cascades S.a.s. acquired a total of 34,241,364 Reno De Medici shares (including 4,800,000 already acquired on April 3, 2013).

The stake currently held by Cascades S.a.s. amounts to 57.61% of the share capital with voting rights.

On December 2, 2013 Cascades Inc., partly on behalf of Cascades S.a.s., the largest shareholder of the Company with a 57.612% stake in RDM, gave notice of the final termination of the validity of the put option as defined in Section 3.3.1 (c) of the Combination Agreement signed in 2007 and later amended in 2009.

A put option was granted to Cascades S.a.s. and a call option was granted to Reno De Medici S.p.A. as a part of agreements entered into (Combination Agreement) with the Cascades Group on September 13, 2007, and thus, before the merger in March 2008. In addition, on August 2, 2012 the Board of Directors of Parent Company Reno De Medici S.p.A., following a favorable opinion of the Committee for Related Parties, reconfirmed its interest to acquire “virgin assets” and decided not to exercise the call option on two mills owned by Cascades S.a.s.

The shutdown of RDM UK was announced in December. Its activities, interrupted in the first months of 2014, consisted of cutting operations and UK customer service for the Group’s paper mills with about 7,000 tons sold in 2013 and revenues of €6.9 million. The subsidiary profitability has been compromised, as it has not been possible to reach an agreement with the Landlord for the renewal at more favorable conditions of the lease of the building where the subsidiary is headquartered. To cover closing costs, a provision of about €1 million was made primarily associated with liquidation costs (staff and write-down of fixed assets and inventory). However, the Reno De Medici Group intends to continue servicing the British market, through an agreement which has already been signed with a local distributor.



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

### Risks associated with the general economic conditions

Like all industrial operators, the Company and Group are exposed to risks associated with the current economic crisis, now in its fifth year.

Most prominently, this situation generates a risk related to sales volume, and although this cannot be eliminated, it can be contained through measures the Group can take to adjust production levels to actual demand.

In this context, other risk factors related to the overall economic situation are associated with credit (see below) and energy prices, the latter being exposed to critical events that can occur in countries that play a key role in the production and distribution of energy resources (North Africa in 2012, and now Ukraine). The situation is being continuously and closely monitored by the designated Company functions.

Another risk factor is tied to movements in prices for pulp raw materials which are mainly affected by the volume of exports to China, which in turn is dependent upon that country's economic growth rate. However, this risk is relatively limited since changes in prices for pulp raw materials are normally translated into a corresponding change in sales prices for chipboard for packaging.

### 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 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 debt as at December 31, 2013 stood at €47.2 million. Of this amount, €31.2 million is at variable rate not protected by hedging. The short-term lines of credit, used as at December 31, 2013 in an amount equal to €25.4 million, are all at variable rate.

Expected trends for 2014 anticipate a slight increase in interest rates which should not, however, involve significant negative effects for the Reno De Medici Group.

## Liquidity Risk

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

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

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

As at December 31, 2013, the net debt financial position of the RDM Group was equal to €73.5 million.

## Credit risk

As stated at the beginning of this section, credit risk consists of the exposure of the Company and Group to the insolvency of its customers especially in those countries, such as Italy, that are suffering most from the current crisis.

The Reno De Medici Group uses several tools to efficiently manage this risk. Insurance agreements were entered into with a leading credit insurance company. In addition, several agreements were entered into for the non-recourse sale of receivables.

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

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

Although the policies adopted to date have made it possible to contain credit losses, this risk cannot be eliminated and it is mainly connected with the ongoing general economic crisis.

## Foreign exchange 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 is denominated and, as far as costs are concerned, purchases of certain raw materials and certain energy factors. Given the expected

volumes of costs and revenues denominated in dollars, it is felt that the net exposure is not significant in relation to the overall size of the business.

## **Capital risk**

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

## **Conclusions**

For a more detailed analysis as well as the comparison between 2013 and 2012, please refer to the chapters dealing with financial instruments and risk management of the RDM Group and Parent Company.

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

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

### Operating results

RDM GROUP	12.31.2013	%	12.31.2012	%
(thousands of Euros)				
Revenues from sales	468,532	100.00%	466,319	100.00%
Operating costs (15)	(448,865)		(455,615)	
Other operating income (expenses) (16)	18,539		16,311	
<b>Gross Operating Profit (EBITDA)</b>	<b>38,206</b>	<b>8.15%</b>	<b>27,015</b>	<b>5.79%</b>
Depreciation, amortization and write-downs	(29,724)		(28,498)	
<b>Operating Profit (EBIT)</b>	<b>8,482</b>	<b>1.81%</b>	<b>(1,483)</b>	<b>(0.32%)</b>
Net financial income (expense)	(6,449)		(7,035)	
Gains (losses) from investments	(1,120)		(2,946)	
Taxes	1,117		(723)	
<b>Profit (loss) for the year before discontinued operations</b>	<b>2,030</b>	<b>0.43%</b>	<b>(12,187)</b>	<b>(2.61%)</b>
Discontinued operations				
<b>Profit (loss) for the year</b>	<b>2,030</b>	<b>0.43%</b>	<b>(12,187)</b>	<b>(2.61%)</b>
<b>Group's share of profit (loss) for the period</b>	<b>1,775</b>	<b>0.38%</b>	<b>(12,334)</b>	<b>(2.65%)</b>

(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" and "Change in inventories of finished goods".

Revenues from sales in 2013 for the RDM Group were €468.5 million, compared with €466.3 million recorded in the corresponding period of the previous year.

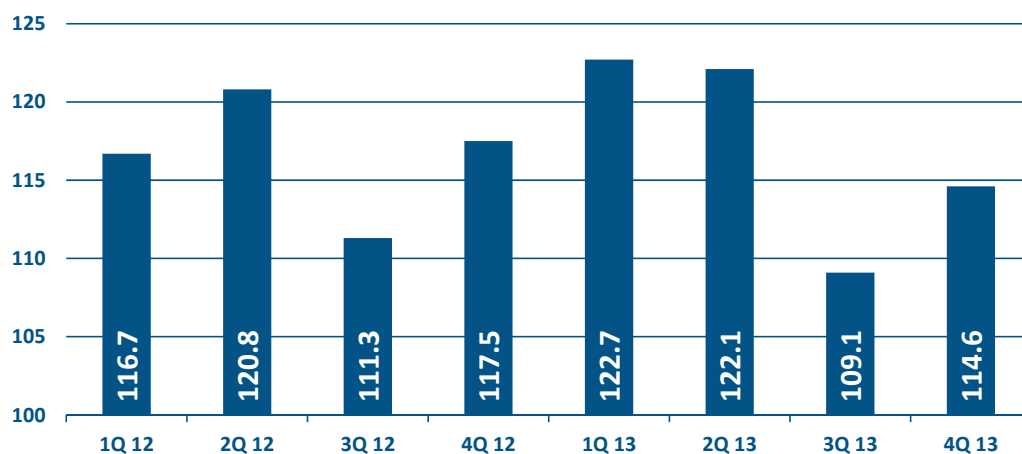


Fig. 2: 2012-2013 Revenues - Quarterly Trend

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

RDM GROUP	12.31.2013		12.31.2012	
		%		%
(thousands of Euros)				
<b>Areas</b>				
Italy	169,180	36%	162,373	35%
EU	232,590	50%	226,227	48%
Non-EU	66,762	14%	77,719	17%
<b>Total revenues from sales</b>	<b>468,532</b>	<b>100%</b>	<b>466,319</b>	<b>100%</b>

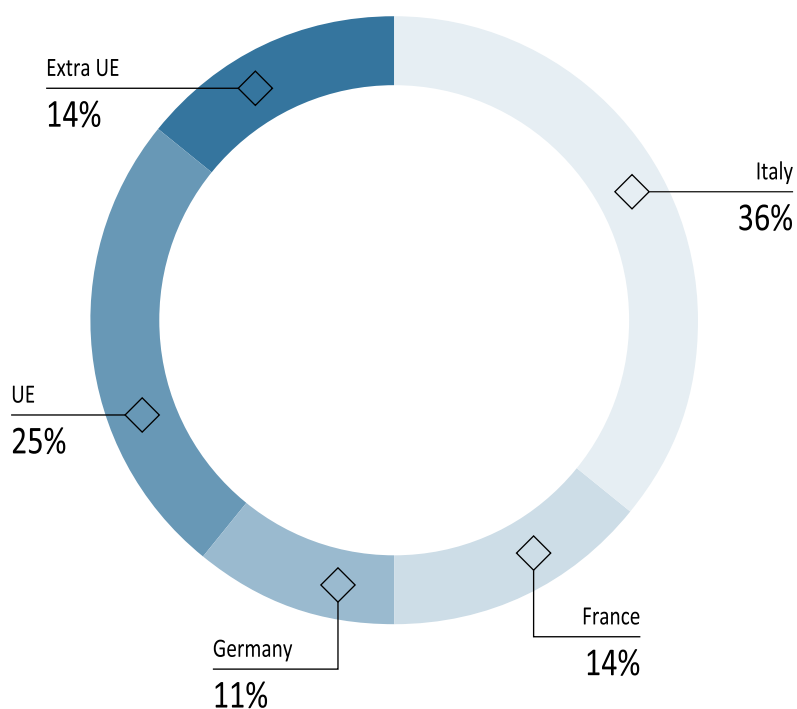


Fig. 3. Revenues by Geographic Area

In 2013 the Reno De Medici Group generated revenues of €468.5 million, which was essentially in line with the €466.3 million reported in 2012 due to a slight increase in tons sold that was partially offset by a decrease in average sales prices for the year.

EBITDA rose from €27 million in 2012 to €38.2 million in 2013.

Under EBITDA, the impact of expenses resulting from the write-down of fixed assets in an amount equal to €5.2 million was recorded. The write-down refers mainly to buildings at two plants whose value was adjusted to the fair value minus sales costs (current market value), based on the appraisals of an independent expert.

Consolidated EBIT was positive at €8.5 million compared to the loss of €1.5 million reported in 2012.

RDM GROUP	12.31.2013	12.31.2012
(thousands of Euros)		
Net financial expense	(6,449)	(7,036)
Gains (losses) from investments	(1,120)	(2,946)
<b>Total</b>	<b>(7,569)</b>	<b>(9,982)</b>

As at December 31, 2013, net financial expense totaled €6.4 million which was largely in line with the previous year.

The item “Gains (losses) from investments” showed a net loss of €1.1 million of which €1.4 million was for the total write-down of the investment in Manucor S.p.A. previously described, which was partially offset by income resulting from accounting for the investment in the company Pac Service S.p.A. using the equity method.

Profit before taxes amounted to €0.9 million, compared to a loss of €11.5 million reported in the previous year.

The net result at the end of 2013 was a positive figure of €2 million compared with a loss of €12.2 million recorded in 2012.

The Group’s portion of profit was €1.8 million compared with a loss of €12.3 million in 2012.

## Statement of Financial Position

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

RDM GROUP	12.31.2013	12.31.2012
<b>(thousands of Euros)</b>		
Trade receivables (17)	67,603	86,343
Inventories	77,944	78,929
Payables to suppliers (18)	(105,894)	(123,398)
<b>Trade working capital</b>	<b>39,653</b>	<b>41,874</b>
Other current assets (19)	14,380	6,035
Other current liabilities (20)	(16,169)	(13,252)
Non-current assets (21)	223,599	240,280
Non-current liabilities (22)	(13,585)	(16,977)
<b>Invested capital</b>	<b>247,878</b>	<b>257,960</b>
Employee benefits and other provisions (23)	(34,464)	(34,981)
<b>Net invested capital</b>	<b>213,414</b>	<b>222,979</b>
Net financial position (24)	73,470	86,257
Shareholders' equity	139,944	136,722
<b>Sources total</b>	<b>213,414</b>	<b>222,979</b>

- (17) See RDM Group consolidated financial statements – sum of the following items “Trade receivables” and “Receivables from associates and joint ventures”, classified under the item “Current assets”.
- (18) See RDM Group consolidated financial statements – sum of the following items “Trade payables” and “Payables to associates and joint ventures”, classified under the item “Current liabilities”.
- (19) See RDM Group consolidated financial statements - the item “Other receivables” net of €115,000 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” and “Deferred tax liabilities.”
- (23) See RDM Group consolidated financial statements - sum of the following items of “Non-current liabilities”: “Employee benefits” and “Long-term provisions 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 €115 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”.

At the end of 2013, trade working capital totaled €39.7 million, a decrease of €2.2 million compared to 2012, due, on the one hand, to normal dynamics of working capital and, on the other

hand, to greater recourse to receivable factoring programs partly offset by shorter payment terms agreed with some suppliers, particularly energy suppliers.

The decrease in “Non-current assets” was largely due to the decrease in the value of tangible assets of about €17.7 million, to the change in the evaluation of investments assessed with the net equity method of approximately €1.1 million and to the increase in deferred tax assets of €2.5 million.

The decrease in “Non-current liabilities” was attributable to the turnaround of the deferred tax effect calculated on the difference between the fair value measurement of the fixed asset (mainly tangible and intangible assets of Reno De Medici Arnserg GMBH) at the purchase date and the related amount for tax purposes and the release of the customer list as reflected in the income statement following the announcement made by Cascades S.A.S. of the final termination of the validity of the put option that eliminated the “continuing managerial involvement” of Reno De Medici S.p.A. as defined in IAS 18.

## Net financial position

Consolidated net financial debt as at 31 December 2013 stood at €73.5 million, an improvement of €12.8 million compared with €86.3 million as at 31 December 2012. This improvement is essentially the result of the efficiencies achieved in industrial activities; in addition, during the course of the year, there was greater recourse to credit factoring operations, partly offset by a worsening in the payment terms toward some energy suppliers. Lastly, note that in 2013 the receivables from the sale of the Magenta continuous paper machine were partly cashed.

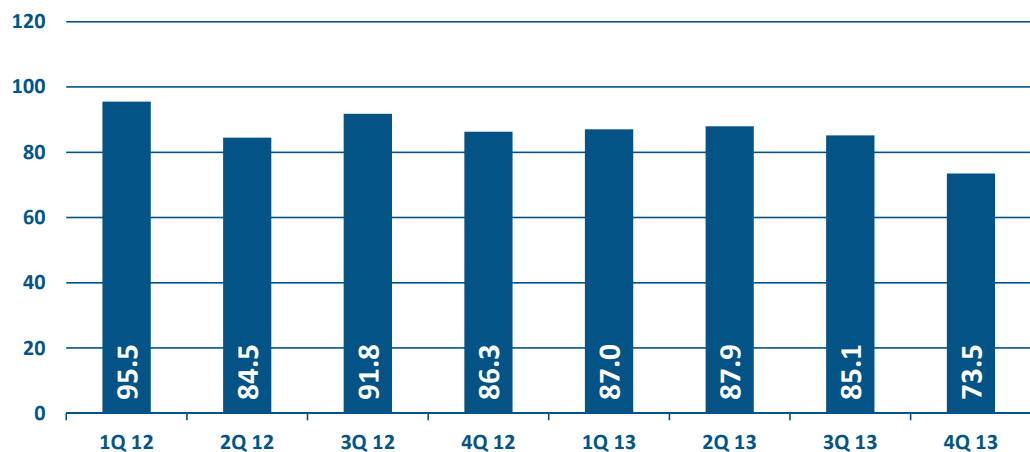


Fig. 4: 2012-2013 Net Financial Position - Quarterly Trend

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

<b>RDM GROUP</b>	<b>12.31.2013</b>	<b>12.31.2012</b>	<b>Change</b>
<b>(thousands of Euros)</b>			
Cash, cash equivalents and short-term financial receivables (25)	2,922	3,582	(660)
Short-term financial payables (26)	(43,343)	(51,395)	8,052
Valuation of current portion of derivatives (27)	(430)	(637)	207
<b>Short-term net financial position</b>	<b>(40,851)</b>	<b>(48,450)</b>	<b>7,599</b>
Medium-term financial payables (28)	(32,322)	(37,042)	4,720
Valuation of non-current portion of derivatives (29)	(297)	(765)	468
<b>Net financial position</b>	<b>(73,470)</b>	<b>(86,257)</b>	<b>12,787</b>

(25) See RDM Group consolidated financial statements - Sum of "Cash and cash equivalents" and "Other receivables from associates and joint ventures" classified under "Current assets, to which to add the €115 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, the item "Derivative instruments" classified under "Current assets" net of the item "Derivative instruments", classified under "Current liabilities".

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

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

## Research and development activities

During the course of 2013 the Group continuously conducted research and development activities aimed at the constant technological upgrading of production processes, as well as constant research into the better use of materials in order to improve the quality of the product or the process. The activity directed at developing new business areas and the creation of new products should also not be forgotten.

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

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

- the project assigned to the Department of Management and Technologies at La Sapienza University of Rome to create a system for qualifying and certifying the production cycle and the final product which can be applied to recycled paper and cartonboard used for the production of food packaging;

- the project carried out with a leading sanitation management operator to bring RDM's Quality Management System and infrastructures into line with the highest voluntary production standards.

## Capital expenditures

In 2013, the RDM Group's capital expenditures totaled €14.7 million (€17.1 million in 2012).

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

- **Villa Santa Lucia** mill: upgrading and modernization of production line with a modification to the packaging line to increase hourly packaging capacity of reels;
- **Arnsberg (Germany)** mill: construction of a new warehouse in order to increase product stocking capacity and reduce the cost of external warehouses;
- **Santa Giustina** mill: upgrading and modernization of the production line, with significant investments in the finishing department in order to increase cutting capacity, expansion of the biological system, and further investments in the safety system in order to obtain OHSAS 18001 certification;
- **Ovaro** mill: upgrading and modernization of the facilities and machinery; more specifically, projects were carried out to increase production capacity, reduce energy costs and improve quality.

## Human resources

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

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

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

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

During 2013 the Company made recourse to the Extraordinary unemployment benefits/redundancy fund pursuant to Article 1 paragraph 3 of Law 223/91 for corporate restructuring purposes at all the company's mills and offices. On December 27, 2013 the Ministry of Labor approved the corporate restructuring plan relating to the period from March 11, 2013 to March 10, 2015 with Decree no. 77989.

As at December 31, 2013 the Group headcount stood at 1,405 people.

Compared with the previous year, the total number of Group employees fell by 25 people (1,430 as at December 31, 2012).

As at December 31, 2013, the Group headcount included 16 executives, 369 white-collars and 1,020 blue-collars.

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

### Operating results

Below are the main operating figures as at December 31, 2013, compared with those of the previous year.

RDM	12.31.2013	12.31.2012
(thousands of Euros)		
Revenues from sales	215,899	230,774
Operating costs (30)	(212,506)	(232,947)
Other operating income (expenses) (31)	20,454	18,398
<b>Gross Operating Profit (EBITDA)</b>	<b>23,847</b>	<b>16,225</b>
Depreciation, amortization and write-downs	(16,816)	(16,660)
<b>Operating Profit (EBIT)</b>	<b>7,031</b>	<b>(435)</b>
Net financial income (expense)	(4,932)	(5,955)
Gains (losses) from investments	(4,266)	(2,569)
Taxes	2,843	(973)
<b>Profit (loss) for the year</b>	<b>676</b>	<b>(9,932)</b>

(30) See RDM's 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 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 2013 revenues decreased by 6.4% compared with 2012. This fall was largely due to the sale of the Ovaro plant business unit to R.D.M. Ovaro S.p.A., which took place in the second half of 2012, and was partially offset by higher revenues generated by the other plants despite the fall in average sales prices.

The following table provides a geographical breakdown of sales revenues:

RDM	12.31.2013	%	12.31.2012	%
(thousands of Euros)				
<b>Areas</b>				
Italy	127,440	59%	145,296	63%
EU	46,280	21%	43,040	19%
Non-EU	42,179	20%	42,438	18%
<b>Total revenues from sales</b>	<b>215,899</b>	<b>100%</b>	<b>230,774</b>	<b>100%</b>

As far as the price trend of the main production factors is concerned, in 2013 recycled fibers showed a drop in prices as compared to 2012. This resulted in a reduction of these costs as a percentage of value of production (“Revenues from sales” plus “Change in inventories of finished goods”) from 45.9% in 2012 to 45.1% in 2013 despite the increase in consumption.

Energy costs declined by €7.2 million (-18.36%). The decrease was due to the sale of the business unit relating to the Ovaro mill that took place in 2012 (€4.7 million) and a reduction in market prices for gas (-10.1%), the company’s main energy source. On the other hand, the cost of electricity reflected a decrease in the commodity’s cost which was offset by the increase in regulated cost components (+2.5%).

The decrease of about €2.9 million in labor costs compared to the previous year was largely due to the fact that the financial statements as at December 31, 2012 included costs for the first six months for staff at the Ovaro plant that were transferred in the second half of 2012 to the subsidiary R.D.M. Ovaro S.p.A. This change was offset by the allocation related to the restructuring plan, which involved production units, approved during 2013.

The company reported a net profit of €0.7 million, after depreciation, amortization and write-downs of approximately €16.8 million, net financial expenses of €4.9 million and investment expenses of €4.3 million. Taxes post a positive balance of €2.8 million, which is mainly linked to the recognition of advance taxes and the release of IRES deferred taxes.

## Statement of Financial Position

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

RDM	12.31.2013	12.31.2012
<b>(thousands of Euros)</b>		
Trade receivables (32)	45,005	53,926
Inventories	38,692	38,762
Trade payables (33)	(62,671)	(74,457)
<b>Trade working capital</b>	<b>21,026</b>	<b>18,231</b>
Other current assets (34)	7,956	1,303
Other current liabilities (35)	(6,987)	(5,359)
Non-current assets (36)	209,143	223,655
Non-current liabilities (37)	(234)	(2,063)
<b>Invested capital</b>	<b>230,904</b>	<b>235,767</b>
Employee benefits and other provisions (38)	(14,274)	(13,452)
<b>Net invested capital</b>	<b>216,630</b>	<b>222,315</b>
Net financial position (39)	70,243	77,344
Shareholders' equity	146,387	144,971
<b>Sources total</b>	<b>216,630</b>	<b>222,315</b>

(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's financial statements – sum of the following items: “Other receivables”, net of €115 thousand of financial receivables.

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

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

(37) See RDM financial statements - sum of the following items of “Non-current liabilities”: “Other payables” and “Deferred tax liabilities.”

(38) See RDM financial statements - sum of the following items of “Non-current liabilities”: “Employee benefits” and “Long-term provisions for risks and charges and “Current liabilities: Employee benefits.”

(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 the €115 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”.

At the end of 2013, trade working capital totaled €21 million, an increase of €2.8 million compared to 2012, due, on the one hand, to the normal dynamics of working capital, and, on the other hand

to greater recourse to credit factoring operations, partly offset by shorter payment terms agreed with certain suppliers, particularly energy suppliers.

At the end of 2013, about 32.4% of Net Invested Capital was funded by interest-bearing debt and approximately 67.56% by shareholders' equity.

## Net financial position

Net financial debt for the Parent Company stands at €70.2 million, an improvement over the €77.3 million as at December 31, 2012.

RDM	12.31.2013	12.31.2012	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables (40)	2,393	2,984	(591)
Short-term financial payables (41)	(52,632)	(46,722)	(5,910)
Valuation of current portion of derivatives (42)	(389)	(580)	191
<b>Short-term net financial position</b>	<b>(50,628)</b>	<b>(44,318)</b>	<b>(6,310)</b>
Medium-term financial payables (43)	(19,334)	(32,323)	12,989
Valuation of non-current portion of derivatives (44)	(281)	(703)	422
<b>Net financial position</b>	<b>(70,243)</b>	<b>(77,344)</b>	<b>7,101</b>

(40) See RDM financial statements - sum of the item "Cash and cash equivalents, to which to add the €115 thousand relating to an entry of a financial nature included under the item "Other receivables".

(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, the 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, the item "Derivative instruments" classified under "Current assets" net of the item "Derivative instruments", classified under "Current liabilities".

The improvement of €7.1 million in the net financial position is mainly due to the efficiencies achieved in industrial activities; in addition, there was greater recourse during the year to credit factoring operations, partly offset by a worsening in the payment terms toward some energy suppliers. Lastly, note that in 2013 the receivables from the sale of the Magenta continuous paper machine were partly cashed.

## Research and development activities

Please refer to the report on the consolidated figures.

## Capital expenditures

Capital expenditure in 2013 amounted to €7.6 million (€11 million in 2012).

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

- **Villa Santa Lucia** mill: upgrading and modernization of production line with a modification to the packaging line to increase hourly packaging capacity of reels;
- **Santa Giustina** mill: upgrading and modernization of the production line, with significant investments in the finishing department in order to increase cutting capacity, expansion of the biological system, and further investments in the safety system in order to obtain OHSAS 18001 certification.

## Human resources

The headcount of RDM as at December 31, 2013 stood at 608 people.

Compared with the previous year, the total number of employees fell by 11 people (619 as at December 31, 2012).

During 2013 the Company made recourse to the Extraordinary unemployment benefits/redundancy fund pursuant to Article 1 paragraph 3 of Law 223/91 for corporate restructuring purposes at all the company's mills and offices. On December 27, 2013 the Ministry of Labor approved the corporate restructuring plan relating to the period from March 11, 2013 to March 10, 2015 with Decree no. 77989.

As at December 31, 2013, the headcount included 13 executives, 163 white-collars and 432 blue-collars.

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

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

	2013 Shareholders' equity	2013 Result
(thousands of Euros)		
<b>Reno De Medici S.p.A.</b>	<b>146,387</b>	<b>676</b>
Difference between the carrying value and the corresponding shares of equity of associates and subsidiaries	(2,281)	4,331
Dividends collected by subsidiaries		(3,204)
Capital gain reversal on sales to Group companies	(1,557)	6
Reversal of merger deficit allocation	(3,732)	219
Other consolidation adjustments	459	1
<b>Consolidated financial statements</b>	<b>139,276</b>	<b>2,030</b>



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

	NET FINANCIAL POSITION 12.31.2013	NET FINANCIAL POSITION 12. 31.2012
(thousands of Euros)		
<b>Net financial position - Reno De Medici S.p.A.</b>	<b>(70,243)</b>	<b>(77,344)</b>
Cash and cash equivalents and other short-term financial receivables from subsidiaries	437	508
Short-term financial payables from subsidiaries	(8,030)	(11,515)
Medium-long-term financial payables from subsidiaries	(13,722)	(6,077)
Elimination of short-term financial payables from subsidiaries	20,819	9,557
Elimination of medium-long-term financial payables from subsidiaries	714	1,429
Elimination of short-term financial receivables from Group companies	(3,445)	(2,815)
<b>Net Financial Position – RDM Group</b>	<b>(73,470)</b>	<b>(86,257)</b>

## 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 the court of first instance issued an initial ruling on February 6, 2012, ordering the company to pay compensation. The company has appealed that verdict, on which a judgment was expected in June 2013; the judgment was postponed to an as-yet undefined date.

### Tax audit

In regard to the tax audit covering the period 2005 – 2009, which concluded in 2011, the Company agreed to a tax settlement for the years 2005 to 2007, for which the related notices of assessment have already been received. Note that the findings 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, and filed the clarifications requested.

In 2013 the Company received a notice of assessment for 2008 for which the tax settlement process is being completed in March 2014.

### Environment and safety

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

- the development of increasing integration of corporate management systems for quality, environment and safety, by promoting synergies between these various aspects;
- the periodic updating of the Risk Assessment Documents;
- the examination and evaluation of the technical and professional integrity and reliability of contractors;
- the constant updating of the Interference Risk Assessment Documents;
- the regular training of personnel on the subject of health and safety in the workplace and making them aware of protecting and safeguarding the environment when carrying out their various tasks, including on the basis of provisions of the State-Regional Agreement.

The Company has maintained ISO 14000 certification, and in 2013 obtained OHSAS 18001:2008 certification for the Milan headquarters and for the Santa Giustina mill. This certification process

was also started for other mills, and the Company intends to certify the remaining production sites in Italy.

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

As at 31 December 2013, 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 as at December 31, 2013 is given below:

Name and Surname	Investee company	Number of shares as at December 31, 2012	Number of shares purchased	Number of shares sold	Number of shares as at December 31, 2013
Giuseppe Garofano	Reno De Medici S.p.A.	275,000			275,000
Ignazio Capuano	Reno De Medici S.p.A.	550,000			550,000

## 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 operations in the context of the ordinary operations conducted by each party concerned and are regulated and concluded under market conditions.

RDM's transactions with its subsidiaries and associates 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), RDM Ovaro S.p.A., RDM Iberica S.L. and Reno De Medici UK Ltd;
- provision of general services to Careo, Emmaus, CAM, RDM 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 and/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 RDM Ovaro S.p.A.;
- sales of cartonboard to Pac Service S.p.A.;
- purchase of waste paper from ZAR S.r.l.;
- the tax consolidation agreement under which Reno De Medici S.p.A. is the consolidating company and CAM, Emmaus, RDM Ovaro S.p.A and Careo S.r.l. are participants.

More information on the Company's new rules on related-party transactions, which were adopted on November 8, 2010 and conform to Consob Resolution 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 financial statements in this Report for a quantitative analysis of the relations undertaken in 2013 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 operations or such as to prejudice the Group's financial position, income or cash flows.

Transactions with related parties are part of normal business operations 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 2013 totaled €3,689,000, while trade payables as at December 31, 2013 amounted to €152,000. During the year, RDM sold the trade receivables of Pac Service S.p.A. under a new non-recourse factoring program. More information can be found in the “Notes” 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 2013 totaled €7,414,000, while trade payables as at December 31, 2013 amounted to €457,000;
- 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 the Parent Company Reno De Medici S.p.A., with the favorable 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”).
- On December 2, 2013 Cascades Inc., partly on behalf of Cascades S.a.s., the largest shareholder of the Company with a 57.612% stake in RDM, gave notice of the final termination of the validity of the put option as defined in Section 3.3.1 (c) of the Combination Agreement signed in 2007 and later amended in 2009.
- 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

There were no subsequent events reported.

## OUTLOOK

The macroeconomic and market environment should gradually improve in 2014 leading to the expectation of solid GDP growth (+2.9%) and increased consumption in the US, stabilized growth in China at more sustainable levels (+7.4%, slightly lower than the previous two years) and a positive outlook in India.

In Europe and the Eurozone, growth measures should return in all countries (except Slovenia and Cyprus), and the gap between stronger and more vulnerable countries should narrow, but still remain high. The most positive aspect, including for the sector in which the Company operates, is that the driving force of the recovery should again be growth in demand and domestic consumption surpassing exports that drove the beginning of the recovery in the second half of 2013.

On the other hand, as fully covered in the most recent report of the European Commission dedicated to the European economic outlook, there is the risk that long-term recovery will continue to be slow and modest, especially if the necessary structural, tax and institutional reforms are not implemented with due speed and force. In this context, the continuing financial fragmentation in Eurozone countries is particularly concerning. This has a negative impact on small and medium-sized companies in particular thereby slowing the resumption of consumption and the decline in unemployment.

In addition to the general risks summarized above, the recovery is also exposed to the possible impact of local crises that may occur, such as the crisis in Ukraine.

With regard to the sector of chipboard packaging produced from recycled fibers in which the Company operates, performance at the beginning of 2014 is largely in line with the end of 2013 with a good flow of orders and largely stable prices for key factors of production, pulp raw materials and energy, which are not expected to rise in the short term.

Thus, in 2014 we are expecting a slight improvement over the previous year subject to the uncertainties indicated above.





**NOTES TO THE  
CONSOLIDATED  
FINANCIAL  
STATEMENTS AT  
DECEMBER 31,  
2013**



## CONSOLIDATED STATEMENT OF INCOME

	Note	12.31.2013	12.31.2012
<b>(thousands of Euros)</b>			
Revenues from sales	1	468,532	466,319
- of which related parties		8,068	8,399
Other revenues and income	2	17,005	12,052
- of which non-related parties	30	1,204	
- of which related parties		1,020	1,718
Change in inventories of finished goods	3	1,534	4,260
Cost of raw materials and services	4	(370,932)	(378,312)
- of which related parties		(22,307)	(19,474)
Personnel costs	5	(73,286)	(72,437)
Other operating costs	6	(4,647)	(4,867)
<b>Gross operating profit</b>		<b>38,206</b>	<b>27,015</b>
Depreciation and amortization	7	(24,514)	(26,279)
Write-downs	8	(5,210)	(2,219)
<b>Operating profit</b>		<b>8,482</b>	<b>(1,483)</b>
Financial expense		(6,462)	(7,286)
Gains (losses) on foreign exchange		(178)	98
Financial income		191	153
Net financial income (expense)	9	(6,449)	(7,035)
Gains (losses) from investments	10	(1,120)	(2,946)
Taxes	11	1,117	(723)
<b>Profit (loss) for the year</b>		<b>2,030</b>	<b>(12,187)</b>
Total profit (loss) for the period attributable to:			
- Group		1,775	(12,334)
- Minority interests		255	147
Basic earnings (loss) per ordinary share (Euros)		0.005	(0.033)
Diluted earnings (loss) per ordinary share (Euros)		0.005	(0.033)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	12.31.2013	12.31.2012
(thousands of Euros)			
Profit (loss) for the year		2,030	(12,187)
Other components of comprehensive profit (loss)			
<i>Components that could be transferred to the income statement in subsequent financial periods</i>		301	195
<i>Change in fair value of cash flow hedges</i>		366	141
<i>Profit (loss) on translation of financial statements of foreign investee companies</i>		(65)	54
<i>Components that will not be transferred to the income statement in subsequent financial periods</i>		1,038	(4,281)
<i>Actuarial gain (loss)</i>		1,038	(4,281)
<b>Total other components of comprehensive profit (loss)</b>		<b>1,339</b>	<b>(4,086)</b>
<b>Total comprehensive profit (loss)</b>		<b>3,369</b>	<b>(16,273)</b>
<b>Total comprehensive profit (loss) attributable to:</b>			
- Group		3,114	(16,402)
- Minority interests		255	129

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	12.31.2013	12.31.2012
(thousands of Euros)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible fixed assets	12	211,204	228,929
Goodwill	13	63	63
Intangible Assets	14	2,377	2,970
Intangible assets with an indefinite useful life	14	3,293	3,293
Equity investments	15	1,826	2,788
Deferred tax assets	16	3,837	1,312
Financial assets held for sale	17		191
Trade receivables	18	41	41
Other receivables	19	958	693
<b>Total non-current assets</b>		<b>223,599</b>	<b>240,280</b>
<b>Current assets</b>			
Inventories	20	77,944	78,929
Trade receivables	18	66,902	85,377
- of which related parties	32	491	621
Receivables from associates and joint ventures	18	701	966
Other receivables	19	14,495	6,390
Other receivables from associates and joint ventures	19	90	90
Cash and cash equivalents	21	2,716	3,137
<b>Total current assets</b>		<b>162,848</b>	<b>174,889</b>
<b>TOTAL ASSETS</b>		<b>386,447</b>	<b>415,169</b>

	Note	12.31.2013	12.31.2012
(thousands of Euros)			
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital		185,122	185,122
Other reserves		(2,638)	(3,977)
Retained earnings (losses)		(44,983)	(32,649)
Profit (loss) for the year		1,775	(12,334)
<b>Shareholders' equity attributable to the Group</b>		<b>139,276</b>	<b>136,162</b>
Minority interests		668	560
<b>Total shareholders' equity</b>	22	<b>139,944</b>	<b>136,722</b>
<b>Non-current liabilities</b>			
Payables to banks and other lenders	21	32,322	37,042
Derivative instruments	23	297	765
Other payables	24	234	1,490
- of which related parties	32		1,204
Deferred taxes	25	13,351	15,487
Employee benefits	26	27,557	29,181
Non-current provisions for risks and charges	27	6,906	5,800
<b>Total non-current liabilities</b>		<b>80,667</b>	<b>89,765</b>
<b>Current liabilities</b>			
Payables to banks and other lenders	21	42,728	49,275
Derivative instruments	23	430	637
Trade payables	28	98,878	116,368
- of which related parties	32	1,104	1,936
Payables to associates and joint ventures	28	7,016	7,030
Other payables	24	13,936	13,103
Other payables from associates and joint ventures	24	615	2,120
Current taxes	29	1,288	124
Employee benefits	26	945	25
<b>Total current liabilities</b>		<b>165,836</b>	<b>188,682</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>386,447</b>	<b>415,169</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	12.31.2013	12.31.2012
<b>(thousands of Euros)</b>			
Profit (loss) for the year before discontinued operations and taxes		913	(11,464)
Depreciation and amortization	7	24,514	26,279
Write-downs	8	5,210	2,743
Losses (gains) from investments	10	1,120	2,946
Financial (income) expense	9	6,271	7,134
Capital losses (gains) on sale of fixed assets	2	(458)	(264)
Net change in provisions for employee benefits and in other provisions, including the provision for bad and doubtful receivables		152	(3,204)
Change in inventories	20	1,025	(2,184)
Change in trade receivables		10,303	6,147
- of which related parties	32	395	846
Change in trade payables		(17,924)	(2,375)
- of which related parties	32	(846)	483
Change in total working capital		(6,596)	1,589
<b>Gross cash flows</b>		<b>31,126</b>	<b>25,758</b>
Interest paid in the year		(4,764)	(5,360)
- of which related parties	32		61
Interest received in the period		65	108
- of which related parties	32	65	108
Taxes paid in the period		(2,752)	(4,087)
<b>Cash flows from operating activities</b>		<b>23,675</b>	<b>16,419</b>
Sale (purchase) of available-for-sale financial assets		1	4
Net investment in non-current assets	12, 14	(11,409)	(17,754)
Disinvestment in non- current assets held for sale and spare parts		1,079	2,365
Investment in joint ventures		(196)	(30)
Dividends received		170	170
<b>Cash flows from investing activities</b>		<b>(10,355)</b>	<b>(15,245)</b>
Dividends paid		(146)	(282)
Change in other financial assets and liabilities and short-term payables to banks		(9,882)	8,508
- of which related parties	32	(1,506)	3,222
Change in medium- and long-term loans		(3,646)	(8,881)
<b>Cash flows from financing activities</b>		<b>(13,674)</b>	<b>(655)</b>
Translation differences	22	(67)	54
<b>Change in unrestricted cash and cash equivalents</b>	21	<b>(421)</b>	<b>573</b>
Unrestricted cash and cash equivalents at the beginning of the period	21	3,137	2,564
Unrestricted cash and cash equivalents at the end of the period	21	2,716	3,137

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Share	Legal reserve	Other reserves	Profit (loss) carried forward	Profit (loss) for the period	Hedging reserve	Actuarial gain (loss)	Shareholders' equity attributable to the Group	Total Shareholders' equity attributable to minority interests	Total Shareholders' Equity
<b>(thousands of Euros)</b>										
<b>Shareholders' equity at 12.31.2011</b>	<b>185,122</b>	<b>208</b>	<b>1,000</b>	<b>(29,926)</b>	<b>(2,512)</b>	<b>(704)</b>	<b>(613)</b>	<b>152,575</b>	<b>713</b>	<b>153,288</b>
Dividends distributed									(282)	(282)
Allocation of profit (loss) for the period		200		(2,712)	2,512					
Other changes				(11)				(11)		(11)
<b>Profit (loss) for the year</b>					(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)
<b>Shareholders' equity at 12.31.2012</b>	<b>185,122</b>	<b>408</b>	<b>1,054</b>	<b>(32,649)</b>	<b>(12,334)</b>	<b>(563)</b>	<b>(4,876)</b>	<b>136,162</b>	<b>560</b>	<b>136,722</b>
Dividends distributed									(146)	(146)
Allocation of profit (loss) for the period				(12,334)	12,334					
<b>Profit (loss) for the year</b>					1,775			1,775	255	2,030
Other components of comprehensive profit (loss)			(65)			366	1,038	1,339		1,339
Total comprehensive profit (loss)			(65)		1,775	366	1,038	3,114	255	3,369
<b>Shareholders' equity at 12.31.2013</b>	<b>185,122</b>	<b>408</b>	<b>989</b>	<b>(44,983)</b>	<b>1,775</b>	<b>(197)</b>	<b>(3,838)</b>	<b>139,276</b>	<b>668</b>	<b>139,944</b>

## NOTES TO THE FINANCIAL STATEMENTS

### STRUCTURE AND CONTENT

RDM is a company which is established as a legal entity under Italian law. The RDM Group operates mainly in Europe. The business of the Group is the production and distribution of cartonboard made mainly from recycled fibers (recycled cartonboard). Distribution and sale 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, 2014.

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 2013 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. 38/2005. 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 as for the Annual Report at December 31, 2012.

Accounting principles, amendments and interpretations effective from January 1, 2013 specifying any impact in these separate financial statements for each of them:

- Amendments to IAS 19 – Employee Benefits. Note that the amendment has been adopted early from January 1, 2012;
- IFRS 13 – Fair value measurement. The principle establishes how the fair value should be determined for the purpose of the financial statements and is applied to all cases in which the IAS/IFRS principles require or allow fair value measurement or the presentation of information based on fair value, with some limited exceptions. In addition, the principle requires more extensive information on the fair value measurement (fair value hierarchy) than currently required by IFRS 7. The principle applies from January 1, 2013 onwards. The adoption of the principle has not had any significant effects;
- Amendments to IAS 1 – Presentation of Financial Statements: presentation of total other earnings and other losses. The amendments require the grouping together of all items presented under total earnings/losses depending on whether or not they can be

reclassified following the income statement. The Group has adopted these amendments in these financial statements changing the presentation of the following items: the comparative information presented has been consistently re-presented;

- Amendments to IFRS 7 – Financial Instruments: Disclosures. The amendments require the presentation of certain information about the effects or potential effects on the statement of financial position of a company resulting from financial asset and liability offsetting carried out when applying IAS 32. The amendments are applicable for the years starting from or after January 1, 2013. The information should be supplied retrospectively. The application of the amendments has not involved any effect being recorded in these financial statements;
- Annual Improvements to IFRSs: 2009-2011 cycle, which clarifies the rules for the presentation of comparative information in the case of changes to the accounting principles and re-presentation of the comparative figures or reclassification in cases in which additional statements of financial position are provided. The adoption of the principle did not have any effects.

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;
- IAS 32 – Financial Instruments: Presentation;
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Extent of investment;
- Amendments to IAS 36 – Reduction in value of assets – Disclosures on the recoverable amount of non-financial assets;
- Amendments to IAS 39 - Financial Instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting

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 standards and amendments:

- IFRIC 21 – Levies;
- IFRS 9 – Financial instruments and amendments;
- Annual Improvement to IFRS'S – 2010 – 2012 Cycle;
- Annual Improvements to IFRSs: 2011-2013 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 into account 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 shareholders' equity is presented by showing separately the profit or loss for the year and any income and expense recognized directly in equity and not in the income statement, in accordance with specific IAS/IFRS requirements. It also shows separately the transactions with shareholders.

## SCOPE OF CONSOLIDATION

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

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

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

Corporate name	Registered office	Activity	Share capital (Eur/1000)	Control percentage			
				12.31.2013		12.31.2012	
				direct	indirect	direct	indirect
Reno De Medici Iberica S.L.	Prat de Llobregat (E)	Industrial	7,467	100.00%		100.00%	
Reno De Medici UK Limited	Wednesbury (GB)	Industrial	11,412	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	11	100.00%		100.00%	
R.D.M. Ovaro S.p.A.	Milan (I)	Industrial	12,500	80.00%		80.00%	

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

Corporate name	Registered office	Activity	Share	Control percentage			
			capital  (Eur/1000)	12.31.2013		12.31.2012	
				direct	indirect	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%		50.00%	
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 of 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 shareholders' equity and profit or loss attributable to minority interests are shown separately in the consolidated statement of financial position, consolidated income statement, and consolidated statement of comprehensive income 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	0.8161	0.8493	0.8337

## Equity investments

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

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

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

## Associates

Associates refer to those companies in which the Group exercises a significant influence, 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 instruments issued in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the income statement at the time they are incurred.

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

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

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

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

## **TANGIBLE FIXED ASSETS**

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

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

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

Assets acquired under finance leases, which assign to the Group substantially all the risks and rewards of ownership, are recognized as tangible 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 company. Land is not depreciated, even if acquired together with buildings.

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

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

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

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

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

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

From January 1, 2012, actuarial gains/losses are recorded under "Other Components of 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 previous years, 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 fulfill that obligation

and when a reliable estimate of the amount can be made. Provisions are measured at the best estimate of the amount that, at the reporting date, the Group could reasonably expect to pay to extinguish the obligation or transfer it to a third party.

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

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

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

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

The risks where a liability is merely possible are described in the section "Contingent Liabilities 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. After initial recording, loans are subsequently measured at amortized cost, which is calculated using the effective interest method taking into account issue costs and any settlement discount or premium.

## **TRADE AND OTHER PAYABLES**

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

## **RECOGNITION OF REVENUES**

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

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

Income taxes are recognized in the income statement unless they relate to items directly credited or charged to 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 outstanding 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 it adopts assumptions and makes estimates based on market conditions at the reporting date.

## **TAXES**

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

## **IMPAIRMENT TESTS**

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

No goodwill has been allocated to the Reno de Medici CGUs, meaning there is no need for a specific annual impairment test. However, the current global economic and financial crisis, 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 with an average level that is lower than reported 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 2014 and 2016.

The Group has used the same net rate, 6.74%, 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 Marzabotto and Iberica 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 were calculated on the

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

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

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

## NOTES

### Segment Information

The following segment information has been prepared on the basis of the reports that company management uses and reviews to assess performance and to 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 directors 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 only 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, financial income and expense are continually monitored and measured by the treasury function of the Parent Company Reno De Medici S.p.A., where, from an operating standpoint, all decisions of a financial nature are also made.

There is no need to reconcile the segment valuations contained in this section with the figures included in the financial statements in this report, as all the displayed income components are measured using the same accounting policies adopted for the preparation of the Group's consolidated financial statements. Unallocated items and adjustments include intersegment balances.

The following table provides profit and loss data by geographical area for 2013 and 2012:

Income statement 12.31.2013	Italy	Spain	Germany	France	UK	Unallocated items & adjustments	Consolidated
(thousands of Euros)							
<b>Revenues from sales</b>	<b>297,447</b>	<b>33,197</b>	<b>115,391</b>	<b>57,460</b>	<b>6,916</b>	<b>(41,879)</b>	<b>468,532</b>
Intragroup revenues from transactions with other segments	(40,045)		(1,253)	(508)	(73)	41,879	
<b>Net revenues from external customers</b>	<b>257,402</b>	<b>33,197</b>	<b>114,138</b>	<b>56,952</b>	<b>6,843</b>		<b>468,532</b>
<b>Gross operating profit</b>	<b>29,534</b>	<b>685</b>	<b>9,735</b>	<b>(585)</b>	<b>(1,358)</b>	<b>195</b>	<b>38,206</b>
Depreciation and amortization	(14,212)	(707)	(9,035)	(658)	(49)	147	(24,514)
Write-downs	(3,963)	(7)			(236)	(1,004)	(5,210)
<b>Operating profit</b>	<b>11,359</b>	<b>(29)</b>	<b>700</b>	<b>(1,243)</b>	<b>(1,643)</b>	<b>(662)</b>	<b>8,482</b>
Net financial income (expense)	(5,305)	(95)	(429)	(308)	(27)	(285)	(6,449)
Gains (losses) from investments	(4,266)					3,146	(1,120)
Taxes	1,508		(100)	(129)		(162)	1,117
<b>Profit (loss) for the period</b>	<b>3,296</b>	<b>(124)</b>	<b>171</b>	<b>(1,680)</b>	<b>(1,670)</b>	<b>2,037</b>	<b>2,030</b>
Share of profit/(loss) attributable to equity-accounted investments	(1,120)						(1,120)
<b>Total assets</b>	<b>365,937</b>	<b>16,825</b>	<b>106,098</b>	<b>18,410</b>	<b>3,203</b>	<b>(123,198)</b>	<b>387,275</b>
<b>Total investments</b>	<b>9,829</b>	<b>227</b>	<b>4,011</b>	<b>1,096</b>			<b>15,163</b>

Income Statement 12.31.2012	Italy	Spain	Germany	France	UK	Unallocated items & adjustments	Consolidated
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(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 period	(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

In 2012 and 2013, 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:

	12.31.2013	12.31.2012	Change
(thousands of Euros)			
Revenues from sales	468,532	466,319	2,213
<b>Total revenues from sales</b>	<b>468,532</b>	<b>466,319</b>	<b>2,213</b>

The following table provides a geographical breakdown of sales revenues:

	12.31.2013	12.31.1012	Change	%
(thousands of Euros)				
Italy	169,180	162,373	6,807	4.2%
EU	232,590	226,227	6,363	2.8%
Non-EU	66,762	77,719	(10,957)	(14.1%)
<b>Total revenues from sales</b>	<b>468,532</b>	<b>466,319</b>	<b>2,213</b>	<b>0.5%</b>

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).

In 2013 revenues for the Reno De Medici Group totaled €468.5 million, which was in line with revenues for 2012 (€466.3 million).

## 2. Other revenues and income

Other revenues and income can be broken down as follows:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Grants	286	288	(2)
Indemnities	350	466	496
Energy revenues	10,713	7,547	3,166
Other revenues	5,656	3,751	1,293
<b>Total</b>	<b>17,005</b>	<b>12,052</b>	<b>4,953</b>

“Grants” consist mainly of ordinary contributions from Comieco in relation to the use of waste paper from public separated waste collection.

“Energy revenues” were related to revenues paid by certain energy suppliers for joining the “interruption” scheme; income from the sale of electricity in 2013 in mills located in Italy, France and Germany; the allocation of energy efficiency certificates; and monetary credits granted by energy authorities in relation to being designated a “new entrant” in ETS/2 [emission trading system].

“Other revenues” relate mainly to services provided to associates and joint ventures, in the amount of around €1.6 million, the release of the client list generating €1.2 million, capital gains from the sale of plant and machinery and extraordinary income and other minor revenues.

The client list refers to the €1.2 million fee paid by Cascades S.A.S. for the sale of the virgin-fiber client list. This payment, as defined in the Combination Agreements entered into with the Cascades Group at the time of the business combination, was recorded as income in the 2013 financial statements following notice received from Cascades S.a.S. concerning the final termination of the validity of the put option, which resulted in Reno De Medici’s loss of its “continuing managerial involvement”, as defined by IAS 18.

## 3. Change in inventories of finished goods

The change in inventories of finished goods (€1.5 million) is due to a different development of factors involving greater stocks in the warehouse compared with 2012 due to the normal cycle of orders.

#### 4. Cost of raw materials and services

	12.31.2013	12.31.12012	Change
<b>(thousands of Euros)</b>			
<b>Cost of raw materials</b>	<b>209,032</b>	<b>214,024</b>	<b>(4,992)</b>
Purchase of raw materials	206,568	210,712	(4,144)
Change in inventories of raw materials	2,464	3,312	(848)
<b>Commercial services</b>	<b>49,194</b>	<b>49,034</b>	<b>160</b>
Shipping	37,698	37,515	183
Commission and agents' costs	11,496	11,519	(23)
<b>Industrial services</b>	<b>95,296</b>	<b>97,799</b>	<b>(2,503)</b>
Energy	64,567	69,225	(4,658)
Maintenance	11,666	10,547	1,119
Waste disposal	10,424	10,385	39
Other industrial services	8,639	7,642	997
<b>General services</b>	<b>13,503</b>	<b>13,735</b>	<b>(232)</b>
Insurance	3,095	3,211	(116)
Legal, notarial, administrative and contractual services	4,249	3,952	297
Board of directors	1,283	1,515	(232)
Board of statutory auditors	241	214	27
Postal and telecommunications	626	679	(53)
Other	4,009	4,164	(155)
<b>Costs for use of third-party assets</b>	<b>3,907</b>	<b>3,720</b>	<b>187</b>
Rental and leasing	3,907	3,720	187
<b>Total</b>	<b>370,932</b>	<b>378,312</b>	<b>(7,380)</b>

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

As far as the performance of the main production factors is concerned, in 2013 recycled fibers showed a further sharp drop in average prices as compared to 2012. A further benefit is derived from efficiencies achieved following investments made in the previous year.

With regard to energy components, and especially natural gas, which is the Group's main energy source, the downward trend strengthened in the second quarter of 2013 with a gradual alignment of prices in European areas. There was a significant decline in prices for coal, the main fuel used in Germany. The cost of electricity remained largely stable since the decrease in the commodity seems to be offset by an increase in regulated cost components.

Following the price dynamics illustrated above, the total of these costs as a percentage of the value of production ("Revenues from sales" plus the "Change in inventories of finished goods") fell during the year in question, going from 45.5% in 2012 to 44.5% in 2013.

Overall service costs fell by about 1.6% from the previous year (€158 million for the year ended December 31, 2013 against €160.6 million for the year ended December 31, 2012). This item represented 33.6% of the value of production (34.1% at the end of December 2012). This performance is largely due to a decrease in energy costs as noted above.

"Costs for use of third-party assets" as of December 31, 2013 are in line with final figures at December 31, 2012.

## 5. Personnel costs

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Salaries and wages	52,494	52,273	221
Social security contributions	15,687	15,899	(212)
Allowance for defined-contribution plans	1,692	1,828	(136)
Allowance for defined-benefit plans	303	221	82
Incentive plans	250		250
Other costs	2,859	2,216	643
<b>Total</b>	<b>73,286</b>	<b>72,437</b>	<b>849</b>

In 2013, the cost of labor rose slightly over the previous year from €72.4 to €73.3 million. The increase was essentially due to provisions related to the restructuring plan approved during 2013 that affected Italian production units.

In light of the year's results, the 2013 financial statements also reflected a provision of €250,000 for the incentive plan intended for senior management based on phantom share performance for 2011-2013. 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	12.31.2013	12.31.2012	Change
Executives	16	13	3
White-collars	369	382	(13)
Blue-collars	1,020	1,035	(15)
<b>Total</b>	<b>1,405</b>	<b>1,430</b>	<b>(25)</b>
Workers subject to wage guarantee fund	102	81	21
<b>Active workforce</b>	<b>1,303</b>	<b>1,349</b>	<b>(46)</b>

Average employees by category	12.31.2013	12.31.2012	Change
Executives	16	13	3
White-collars	375	395	(20)
Blue-collars	1,026	1,068	(42)
<b>Total</b>	<b>1,417</b>	<b>1,476</b>	<b>(59)</b>

In 2013 the Company accessed the wage guarantee fund (*Cassa Integrazione Guadagni Straordinaria*) pursuant to Article 1(3) of Law 223/91 due to the corporate restructuring for all the company's mills and sites. On December 27, 2013 the Labor Ministry approved the corporate restructuring program for the period March 11, 2013 to March 10, 2015 in Decree No. 77989. The restructuring plan and resulting actions will make it possible to implement the strategic industrial plan aimed at the technological upgrading of certain plants.

## 6. Other operating costs

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Provisions for risks	135	27	108
Write-downs of current receivables	1,018	1,328	(310)
Miscellaneous operating costs	3,495	3,512	(17)
<b>Total</b>	<b>4,648</b>	<b>4,867</b>	<b>(219)</b>

There was a decrease in the provisions for doubtful receivables compared with the previous year.

“Miscellaneous operating costs” as at December 31, 2013 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”:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Amortization of intangible assets	654	629	25
Depreciation of tangible assets	23,860	25,650	(1,790)
<b>Total</b>	<b>24,514</b>	<b>26,279</b>	<b>(1,765)</b>

The reduction in “Amortization of intangible assets” compared with the figures at December 31, 2012 is mainly due to the end of the amortization of some corporate assets.

## 8. Write-downs

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Write-downs	5,210	2,219	2,991
<b>Total</b>	<b>5,210</b>	<b>2,219</b>	<b>2,991</b>

The write-down at December 31, 2013 was related to:

- the write-down of land and buildings related to the Marzabotto mill (€2.6 million), whose value was adjusted to the fair value minus sales costs (current market value), based on the evaluation of an independent expert. In addition, this amount includes asset dismantling costs of €0.7 million allocated to a special provision for risks;
- the write-down of remaining plants and certain portions of buildings at the Magenta mill, which, following the final shut-down of paper production operations, had no potential future use;
- the write-down of buildings related to the Almazan mill (€1.3 million), whose value was adjusted to fair value minus sales costs (current market value), based on the evaluation of an independent expert.

## 9. Net financial income (expense)

	12.31.2013	12.31.2012	Change
(thousands of Euros)			
<b>Financial income</b>	<b>191</b>	<b>153</b>	<b>38</b>
Interest and other financial income	129	135	(6)
Income from derivative financial instruments	62	18	44
<b>Financial expense</b>	<b>(6,462)</b>	<b>(7,286)</b>	<b>824</b>
Interest paid to banks	(2,491)	(3,362)	871
Losses on derivative financial instruments	(617)	(582)	(35)
Financial expense on defined-benefit plans	(745)	(1,049)	304
Expenses, commission and other financial charges	(2,609)	(2,293)	(316)
<b>Foreign-exchange differences</b>	<b>(178)</b>	<b>98</b>	<b>(276)</b>
Foreign-exchange gains	1,087	2,041	(954)
Foreign-exchange losses	(1,264)	(1,943)	679
<b>Total</b>	<b>(6,448)</b>	<b>(7,035)</b>	<b>587</b>

“Net financial expense” declined slightly from the previous year; this followed the reduction in overall debt that was partially offset by the increase in expense from the greater use of receivable factoring. In addition, although interest rates remained largely stable, the company benefited from an improved spread on new loans.

The item “Financial expense on defined-benefit plans” refers to the financial component of the provision for the year solely with respect to interest costs.

## 10. Gains (losses) from investments

Gains (losses) from investments relate mainly to the following:

- a gain of €0.3 million from valuing the investment in the joint venture Pac Service S.p.A. at equity;
- losses of €1.4 million resulting from the elimination of the investment in the joint venture Manucor S.p.A. following the decision not to increase capital to cover losses reported by the company. More information can be found in Note 15.

## 11. Taxes

	12.31.2013	12.31.2012	Change
(thousands of Euros)			
Deferred taxes	5,030	2,207	2,823
Current taxes	(3,913)	(2,930)	(983)
<b>Total</b>	<b>1,117</b>	<b>(723)</b>	<b>1,840</b>

As at December 31, 2013 deferred taxes totaled €5 million and largely included the allocation of advance taxes as well as the release of deferred taxes by the Parent Company Reno De Medici S.p.A. (€3.3 million) and the release of deferred taxes recorded in relation to the subsidiary Arnsberg (€1.8 million).

More information on “Deferred taxes” can be found in Note 24.

### Reconciliation between the theoretical tax burden and the tax burden as per the Financial Statements (income taxes)

The table below shows the reconciliation between the theoretical tax burden and the tax burden as per the financial statements.

For further details see Note 24 – Deferred taxation.

	Taxable income	%	12.31.2013
(thousands of Euros)			
Profit (loss) before taxes	1,516		
<b>Theoretical tax burden</b>		<b>29.70%</b>	<b>450</b>
Reversal of temporary differences from previous years	(784)		
Temporary differences which will be reversed in future years	9,268		
Permanent differences which will not be reversed in future years	2,437		
<b>Total differences</b>	<b>10,921</b>		
Use of previous tax losses	(2,313)		
<b>Actual tax burden</b>	<b>10,124</b>	<b>29.70%</b>	<b>3,007</b>

## Reconciliation between the Theoretical and Actual Tax Burden (IRAP)

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

## 12. Tangible assets

Changes in tangible assets during 2012 and 2013 are as follows:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
<b>(thousands of Euros)</b>							
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)
<b>Net book value at 12.31.2011</b>	<b>23,487</b>	<b>45,999</b>	<b>166,390</b>	<b>218</b>	<b>365</b>	<b>3,372</b>	<b>239,831</b>
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
Depreciation for the period		(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			
<b>Value at 12.31.2012</b>							
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)
<b>Net book value at 12.31.2012</b>	<b>23,828</b>	<b>42,684</b>	<b>156,239</b>	<b>217</b>	<b>240</b>	<b>5,721</b>	<b>228,929</b>

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under development	Total
<b>(thousands of Euros)</b>							
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)
<b>Net book value at 12.31.2012</b>	<b>23,828</b>	<b>42,684</b>	<b>156,239</b>	<b>217</b>	<b>240</b>	<b>5,721</b>	<b>228,929</b>
Increases	30	1,243	9,124	38	74	4,195	14,703
Decreases (*)		58	(75,553)		(1)		(75,612)
Reclassification of cost		582	3,345		17	(3,927)	17
Other			(15)				(15)
Depreciation for the period		(3,214)	(20,478)	(67)	(100)		(23,859)
Other changes (acc. depr.)			5				5
Write-downs	(1,120)	(2,922)	(493)				(4,535)
Decrease of acc. depr. (*)		50	71,519		1		71,570
<b>Value at 12.31.2013</b>							
Historical cost	23,858	101,073	565,999	2,293	14,279	5,989	713,491
Accumulated depreciation/write-downs	(1,120)	(62,710)	(422,304)	(2,106)	(14,048)		(502,288)
<b>Net book value at 12.31.2013</b>	<b>22,738</b>	<b>38,363</b>	<b>143,695</b>	<b>187</b>	<b>231</b>	<b>5,989</b>	<b>211,203</b>

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

“Land” includes the 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 2013, the RDM Group’s capital expenditures totaled €14.7 million (€17.1 million in 2012).

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

- **Villa Santa Lucia** mill: upgrading and modernization of production line with a modification to the packaging line to increase hourly packaging capacity of reels;
- **Arnsberg (Germany)** mill: construction of a new warehouse in order to increase product stocking capacity and reduce the cost of external warehouses;
- **Santa Giustina** mill: upgrading and modernization of the production line, with significant investments in the finishing department in order to increase cutting capacity, expansion of the biological system, and further investments in the safety system in order to obtain OHSAS 18001 certification;
- **Ovaro** mill: upgrading and modernization of the facilities and machinery; to be specific, projects were carried out to increase production capacity, reduce energy costs and improve quality.

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) totaling €410.2 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, 2013 amounted to €42.7 million.

As at the reporting date, the company conducted impairment tests in accordance with IAS 36, adjusting some assets at the Magenta mill and the Almazan mill to fair value less costs to sell, resulting in a write-down of €3.3 million.

The remaining mills and some parts of the Magenta plant buildings were written down. As a result of the final shutdown of the paper-making operations there was no chance that they would be used for future production.

Disposals include the sale of the board machine at the Magenta mill in 2013 together with related replacement parts.

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

## 13. 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.

## 14. Intangible Assets

Changes in intangible assets during 2012 and 2013 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 12.31.2011	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

	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 12.31.2012	1,449	618	903	2,970	3,293
Increases	181	11	267	459	
Decreases	(381)			(381)	
Reclassification of cost	704	(431)	(290)	(17)	
Write-down/Revaluation cost					
Amortization for the year	(628)	(26)		(654)	
Net book value at 12.31.2013	1,325	172	880	2,377	3,293

“Intangible assets with an indefinite useful life” refer to the valuation of concessions granted in Germany in relation to water rights with an unlimited duration.

At the reporting date the Group had performed the impairment test in accordance with IAS 36, after which it was not necessary to record any impairment in the financial statements.

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

## 15. Equity investments

	Book value 12.31.2012	Reclassification	Investments	Elimination of dividends from associates	Write- downs/ revaluations	Book value 12.31.2013
<b>(thousands of Euros)</b>						
<b>Associates</b>						
Pac Service S.p.A.	1,287			(170)	273	1,390
<b>Joint ventures</b>						
Careo S.r.l.			139		48	187
Manucor S.p.A.	1,441				(1,441)	
ZAR S.r.l.	30					30
Carta Service Friuliana S.r.l.	30					30
<b>Other equity investments</b>						
Cartonnerie Tunisienne S.A.		121				121
Comieco		38	7		(9)	36
Conai		24				24
Other minor equity investments		8	1			9
<b>Total</b>	<b>2,788</b>	<b>191</b>	<b>147</b>	<b>(170)</b>	<b>(1,129)</b>	<b>1,827</b>

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 By-Laws), and in Pac Service S.p.A., to the Group’s share of their equity.

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 (2)
	12.31.2013	12.31.2012	12.31.2012
<b>(thousands of Euros)</b>			
Non-current assets	761	850	81,618
Current assets	8,367	10,425	43,269
<b>Total assets</b>	<b>9,128</b>	<b>12,275</b>	<b>124,887</b>
Shareholders' equity	267	(173)	6,332
Non-current liabilities	2,904	2,828	24,581
Current liabilities	5,957	8,620	93,974
<b>Total liabilities</b>	<b>9,128</b>	<b>12,275</b>	<b>124,887</b>
Revenues	13,378	12,932	156,861
EBITDA	617	(594)	(453)
EBIT	573	(649)	(10,145)
Profit (loss) for the year	116	(934)	(9,864)

(1) Figures refer to the sub-consolidated information prepared for the Reno De Medici Group's consolidated financial statements

(2) As of the reporting date of these financial statements, the figures for the financial statements of Manucor S.p.A. as at December 31, 2013 were not available.

Manucor, which had reported losses in 2012 greater than one third of capital, with the resulting need to take action pursuant to Article 2446 of the Italian Civil Code, reported additional losses in 2013 resulting from the interim situations during the year. As at the date of closing these financial statements, the figures relating to the financial statements of Manucor S.p.A. as at December 31, 2013 are not available. The joint venture's Board of Directors then called an extraordinary shareholders' meeting to reduce and reconstitute share capital through a capital increase of up to €15 million. The meeting called to take the above measures was postponed to April 8, 2014. Although it approves the capital increase, Reno De Medici does not believe it will participate in the subscription transaction wishing instead to concentrate its resources on the development of core businesses, and thus, it decided to eliminate the value of the equity investment.

Other equity investments consisted mainly of the €0.1 million stake held in Cartonnerie Tunisienne S.A. and other minor investments in consortia.

As their fair value cannot be reliably measured, these investments are accounted for at cost, adjusted for any impairment.

## 16. Deferred tax assets

The item “Deferred tax assets” included under non-current assets relates to temporary deductible differences of the Parent Company Reno De Medici S.p.A. and the subsidiaries Cartiera Alto Milanese S.p.A., Emmaus Pack S.r.l. and R.D.M. Ovaro S.p.A.

Refer to Note 25 for an analytical description of same and related changes for the year.

## 17. Available-for-sale financial assets

This item included investments in other companies for a value of €191 thousand.

These investments, mainly comprising Cartonnerie Tunisienne S.A., were reclassified during the year under the item “Investments”, for the purposes of a better representation.

## 18. Trade receivables and receivables from associates and joint ventures

The table below shows a breakdown of current and non-current trade receivables totaling €67.6 million.

	12.31.13	12.31.12	Change
(thousands of Euros)			
Trade receivables	41	41	
<b>Non-current trade receivables</b>	<b>41</b>	<b>41</b>	
Trade receivables	66,902	85,377	(18,475)
Receivables from associates and joint ventures	701	966	(265)
<b>Current trade receivables</b>	<b>67,603</b>	<b>86,343</b>	<b>(18,740)</b>

The decrease of around €18.7 million is due to the effect of the non-recourse factoring program, under which trade receivables maturing after December 31, 2013 and amounting to around €38.2 million (€24.1 million as at December 31, 2012) have been sold, and to the year-on-year decrease in revenues in the fourth quarter of 2013.

The current portion of trade receivables is stated net of €5.5 million of provisions for bad and doubtful receivables. The table below sets out the changes for the year in those provisions:

	12.31.12	Provisions	Drawings	12.31.13
(thousands of Euros)				
Provisions for bad and doubtful receivables	5,709	1,018	(1,190)	5,537
<b>Total</b>	<b>5,709</b>	<b>1,018</b>	<b>(1,190)</b>	<b>5,537</b>

Moreover, the current portion of trade receivables includes €0.5 million of receivables from related parties (against €0.6 million as at December 31, 2012). More information can be found in Note 31.

“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 Service Friulana S.r.l. and also includes relations, also 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:

	12.31.2013	12.31.2012
(thousands of Euros)		
Italy	48,213	54,743
EU	11,067	22,153
Rest of world	8,323	9,447
<b>Total</b>	<b>67,603</b>	<b>86,343</b>

## 19. Other Receivables and other receivables from associates and joint ventures

Other non-current receivables	12.31.2013	12.31.2012	Change
(thousands of Euros)			
Guarantee deposits	704	466	238
Other receivables	254	227	27
<b>Total</b>	<b>958</b>	<b>693</b>	<b>265</b>

The item “Guarantee deposits” recorded an increase of €0.2 million essentially attributable to the greater use of factoring and as a result, to higher deposits in favor 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	12.31.2013	12.31.2012	Change
(thousands of Euros)			
Tax receivables	1,808	1,792	16
Prepaid expenses and accrued income	422	415	7
Miscellaneous receivables	12,265	4,183	8,082
<b>Total</b>	<b>14,495</b>	<b>6,390</b>	<b>8,105</b>
Other receivables from associates and joint ventures	90	90	0
<b>Total</b>	<b>14,585</b>	<b>6,480</b>	<b>8,105</b>

The current portion of “Tax receivables” relates mainly to tax credits.

The item “Miscellaneous receivables” as at December 31, 2013 essentially includes:

- the recording of guarantee deposits of €3.6 million, which will be returned within the year, in favor of a factoring company in accordance with the provisions of agreements signed by the Parent Company RDM S.p.A., by the subsidiary RDM Blendecques and by the subsidiary Reno De Medici Arnsberg GMBH;
- the recording of a receivable of €4.3 million following the allocation of energy efficiency certificates;
- the recording of a receivable of €0.9 million following the energy authority’s recognition of the Group as a “new entrant” in the ETS/2 system [emission trading system];
- the recording of a receivable of €0.9 million from the sale of CO<sub>2</sub> shares held by the German subsidiary Arnsberg;
- the receivable from the purchaser of Magenta’s board machine which was sold in 2013 for €0.8 million;
- the recording of a receivable of €0.8 million from an insurance company following the payment for damage incurred by the Arnsberg plant turbine in 2012.

The item “Other receivables from associates and joint ventures” refers to relations of a financial nature with Zar S.r.l.

## 20. Inventories

The table below provides a breakdown of inventories as at December 31, 2013 and December 31, 2012:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Raw and ancillary materials and consumables	35,778	38,626	(2,848)
Provisions for obsolescence	(2,088)	(2,473)	385
Finished goods and goods for resale	44,299	42,823	1,476
Provisions for obsolescence	(45)	(47)	2
<b>Total</b>	<b>77,944</b>	<b>78,929</b>	<b>(985)</b>

The reduction in raw materials was due, on the one hand, to a decrease in purchase prices, and on the other hand, to a reduction in cover-related waste paper at the Villa S. Lucia plant following the investment made in 2012 at the plant.

In addition, inventories of “raw and ancillary materials and consumables” also decreased following the sale of replacement parts of Magenta’s board machine (€1.1 million).

The increase in finished goods was largely due to an increase in physical amounts on hand.

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.

## 21. Net financial position

	12.31.2013	12.31.2012	Change
(thousands of Euros)			
Cash	104	40	64
Funds available from banks	2,612	3,097	(485)
<b>A. Cash and cash equivalents</b>	<b>2,716</b>	<b>3,137</b>	<b>(421)</b>
Other receivables from associates and joint ventures	90	90	
Other receivables	115	355	(240)
<b>B. Current financial receivables</b>	<b>205</b>	<b>445</b>	<b>(240)</b>
<i>1. Current payables to banks</i>	<i>25,441</i>	<i>36,029</i>	<i>(10,588)</i>
<i>2. Current portion of medium- and long-term loans</i>	<i>14,315</i>	<i>12,724</i>	<i>1,591</i>
<i>3. Other current financial liabilities</i>	<i>2,971</i>	<i>522</i>	<i>2,449</i>
Payables to banks and other lenders (1+2+3)	42,727	49,275	(6,548)
Other payables to associates and joint ventures	615	2,120	(1,505)
Derivatives - current financial liabilities	430	637	(207)
<b>C. Current financial debt</b>	<b>43,772</b>	<b>52,032</b>	<b>(8,260)</b>
<b>D. Net current financial debt (C - A - B)</b>	<b>40,851</b>	<b>48,450</b>	<b>(7,599)</b>
Payables to banks and other lenders	32,322	37,042	(4,720)
Derivatives - non-current financial liabilities	297	765	(468)
<b>E. Non-current financial debt</b>	<b>32,619</b>	<b>37,807</b>	<b>(5,188)</b>
<b>F. Net financial debt (D+E)</b>	<b>73,470</b>	<b>86,257</b>	<b>(12,787)</b>

Net financial debt is equal to €73.5 million as at December 31, 2013 (€86.3 million as at 31 December 2012). The €12.8 million improvement was mainly due to greater use of receivable factoring (€9 million) and proceeds from the sale of equipment that is no longer productive (€4 million).

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
<b>(thousands of Euros)</b>				
M.I.C.A. - due February 13, 2017	148	478		626
M.I.C.A. - due October 16, 2014	154			154
San Paolo Imi - due April 6, 2016	3,276	4,914		8,190
San Paolo Imi fin.pool - tranche A - due 4/6/2016	6,280	9,421		15,701
San Paolo Imi fin.pool - tranche B - due 4/6/2016	2,000	3,000		5,000
Banca Pop. Emilia Romagna - due 5/15/2016	620	930		1,550
DRESDNER BANK – due December 2015	714	715		1,429
M.I.T.C. - due October 1, 2025		71	167	238
Leasing Caterpillar - due April 25, 2016	15	20		35
Caja Duero - due April 21, 2019	122	558	52	732
FRIE 1		1,005	1,005	2,010
Friulia (Ovaro Transaction)		2,708		2,708
FRIE 2	813	3,250	2,437	6,500
FRIULIA	386	1,697	230	2,313
<b>Total nominal debt</b>	<b>14,528</b>	<b>28,767</b>	<b>3,891</b>	<b>47,186</b>
Amortized cost effect	(213)	(334)		(547)
<b>Total debt using amortized cost method</b>	<b>14,315</b>	<b>28,433</b>	<b>3,891</b>	<b>46,639</b>

RDM is bound by certain restrictions and commitments with tolerance thresholds for the syndicated loan that are normal for loans of this nature; among these are limitations on assuming additional debt, distributing dividends, providing collateral (a negative pledge), disposing of core assets, and restrictions on making investments and 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 financial parameters are calculated semi-annually using results from the Group's consolidated financial statements and the Group's interim consolidated reports starting on December 31, 2006, and the semi-annual 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, 2013 the Group was in compliance with the financial parameters.

During 2013, there were principal repayments of €13.2 million, and new loans were disbursed in the amount of €9.6 million.

In terms of collateral, the Parent Company loan agreement requires, inter alia, RDM to provide mortgages on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia mills, and a partial mortgage for Arnsberg, in the total amount of €172.2 million.

Special liens on the Ovaro, Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia mills' plant and machinery are given as collateral, in the total amount of €167.9 million.

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 a two-year grace period 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 installments, 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.

In December the major shareholder gave notice that the put option was no longer valid.

A variable-rate loan agreement was entered into with Banca Popolare dell'Emilia Romagna on April 13, 2006 in the amount of €6.2 million. The loan falls due on May 15, 2016 and is repayable in semi-annual installments. In addition, a variable-rate loan agreement was entered into 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, 2013.

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. The loan agreement expires on January 1, 2022, and repayment will be in semi-annual installments.

On February 22, 2013 a second tranche of €0.6 million was disbursed, and the due date was postponed to July 1, 2022.

On March 19, 2013 a €6.5 million loan was disbursed by Banca Medio Credito Friuli Venezia Giulia S.p.A., and the related agreement was executed on October 23, 2012. The loan agreement calls for a variable rate and maturity of July 1, 2021 with semi-annual installments starting January 1, 2014.

On May 22, 2013 a variable rate loan agreement was entered into with the regional finance company Friuli Venezia Giulia S.p.A. in the amount of €2.5 million. The loan was fully disbursed on May 22, 2013 and matures on May 22, 2019 with repayment in semi-annual installments starting November 22, 2013.

During 2008, the 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. As at December 31, 2013 the Group was in compliance with the financial parameters.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2013. More information on the derivative instruments outstanding as at December 31, 2013 can be found in Note 22.

## 22. Shareholders' Equity

Changes in shareholders' equity during 2013 are set out in the following table:

Description	Changes in the year							Shareholders' equity at 12.31.2013
	Shareholders' equity at 12.31.2012	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	
(thousands of Euros)								
Share capital	185,122							185,122
Legal reserve	408							408
Other reserves:								
- Extraordinary reserve	1,150							1,150
- Foreign-currency translation reserve	(96)		(66)					(162)
Hedging reserve	(563)				367			(196)
Reserve for actuarial gain (loss)	(4,876)			1,038				(3,838)
Retained profits (losses)	(32,649)	(12,334)						(44,983)
Profit (loss) for the year	(12,334)	12,334					1,775	1,775
Total	136,162		(66)	1,038	367		1,775	139,276

The Shareholders' Meeting of April 29, 2013 resolved to carry forward the 2012 profit of €9,931,718.51 of the Parent Company.

In accordance with article 5 of the Company's By-Laws, holders of savings shares may convert such shares to ordinary shares in February and September each year. In 2013, 31,866 savings shares were converted to ordinary shares. As a result of this, the share capital as at December 31, 2013, which was fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,505,853	184,977,867.97
Savings shares	295,141	144,619.09
<b>Total</b>	<b>377,800,994</b>	<b>185,122,487.06</b>

It is noted, as described in further detail in the Directors' Report, that the Extraordinary Shareholders' meeting held on September 2, 2013 resolved to eliminate the nominal value of shares.

On February 1-28, 2014, 4,017 savings shares were converted to ordinary shares with dividend entitlement as of January 1, 2013.

The table below shows the number of outstanding shares as at December 31, 2013 and December 31, 2012:

	12.31.2013	12.31.2012	Change
Shares issued	377,800,884	377,800,884	
<b>Total shares outstanding</b>	<b>377,800,884</b>	<b>377,800,884</b>	

RDM's By-Laws 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 distributed in 2012 and 2013.

Minority interests of €0.7 million (€0.6 million in the previous year) 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:

	12.31.2013			12.31.2012		
	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
<b>(thousands of Euros)</b>						
<i>Change in fair value of cash flow hedges</i>	506	(139)	367	194	(53)	141
<i>Change in fair value of assets available for sale</i>						
<i>Actuarial gain (loss)</i>	1,269	(227)	1,042	(5,350)	1,079	(4,281)
<i>Profit (loss) on translation of financial statements of foreign investee companies</i>	(67)		(67)	54		54

## 23. Derivative instruments

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as of December 31, 2013:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
<b>Non-current liabilities</b>	<b>297</b>	<b>765</b>	<b>(468)</b>
Derivative financial instruments (hedge accounting)	227	622	(395)
Derivative financial instruments (no hedge accounting)	70	143	(73)
<b>Current liabilities</b>	<b>430</b>	<b>637</b>	<b>(207)</b>
Derivative financial instruments (hedge accounting)	361	503	(142)
Derivative financial instruments (no hedge accounting)	69	134	(65)

As at December 31, 2013, the derivative financial instruments represented by interest rate swaps had a fair value of -€727 thousand.

The table below shows the main features of the derivative financial instruments outstanding as of December 31, 2013:

Company	Counter-party	Currency	Due date	Notional value (€/000)	Interest	Interest payment	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	04.06.2016	7,500	4.11% fixed	Semi-annual	(392)
					Euribor 6m		
Reno De Medici S.p.A.	Unicredit Banca d'impresa S.p.A.	Eur	04.06.2016	3,750	4.11% fixed	Semi-annual	(196)
					Euribor 6m		
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	05.15.2016	1,550	4.15% fixed	Semi-annual	(82)
					Euribor 6m		
Reno De Medici Arnsberg GmbH	Dresdner Bank AG	Eur	12.31.2015	1,429	3.59% fixed	Semi-annual	(57)
					Euribor 6m		
				<b>14,229</b>			
							<b>(727)</b>

## 24. Other Payables and Other Payables to Associates and Joint Ventures

The table below shows a breakdown of other payables:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Deferred income	234	286	(52)
Miscellaneous payables		1,204	(1,204)
<b>Other non-current payables</b>	<b>234</b>	<b>1,490</b>	<b>(1,256)</b>
Payables to personnel	5,235	4,364	871
Payables to social security authorities	3,831	3,715	116
Tax payables	2,805	2,938	(133)
Miscellaneous payables	589	639	(50)
Company bodies	1,329	1,307	22
Accrued expenses and deferred income	148	140	8
<b>Other current payables</b>	<b>13,936</b>	<b>13,103</b>	<b>833</b>
Other payables to associates and joint ventures	615	2,120	(1,505)
<b>Total other payables</b>	<b>14,551</b>	<b>15,223</b>	<b>(672)</b>

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.

As at December 31, 2012, the non-current portion of “Miscellaneous payables” included the €1.2 million payment from Cascades S.A.S. for the sale of the virgin-fiber client list. This payment, as defined in the Combination Agreements entered into with the Cascades Group, has been recorded as income in the 2013 financial statements following the announcement by Cascades S.a.s. of the definitive termination of the validity of the put option, which eliminated the “continuing managerial involvement” of Reno De Medici S.p.A. as defined by IAS 18.

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 allocated to employees in December and paid in January 2014, and to provisions for social security contributions due on deferred compensation (employee leave, additional months’ salaries paid as a bonus, and overtime).

“Tax payables” relate to withholding tax due on remuneration paid to employees in December, and to VAT payables.

The item “Other payables to associates and joint ventures” as at December 31, 2013, includes relations of a financial nature between Reno De Medici S.p.A. and Careo S.r.l for an amount equal to €0.6 million.

## 25. 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, 2013.

	2013			2012		
	Temporary differences	Average tax rate %	Tax effect	Temporary differences	Average tax rate %	Tax effect
<b>(thousands of Euros)</b>						
<b>Recognized deferred tax assets</b>	<b>47,246</b>		<b>13,104</b>	<b>42,362</b>		<b>11,227</b>
Tax losses to carry forward	28,634	27.50%	7,874	23,136	27.50%	6,362
Write-downs for extended impairment				1,820	3.90%	71
Inventory write-downs	470	3.90%	18	626	3.90%	24
Provisions for future charges (IRAP)	30	3.90%	1	209	3.90%	8
Provisions for future charges (IRES)	2,850	27.50%	784	237	27.50%	65
Other temporary differences	4,584	29.2%	1,344	4,244	29.0%	1,231
Other temporary differences (IRAP)	203	3.90%	8	204	3.90%	8
Effect of discounting of employee benefits	4,392	31.90%	1,400	5,395	31.80%	1,716
Valuation of derivatives with hedge accounting	326	28.30%	92	895	28.10%	251
Non-deductible interest expense	3,148	27.50%	866	2,563	27.50%	705
Deferred tax assets consolidation entries	2,609	27.50%	717	3,033	27.50%	834
<b>Recognized deferred tax liabilities</b>	<b>70,776</b>		<b>22,617</b>	<b>80,010</b>		<b>25,451</b>
Depreciation in excess of amount allowed for tax purposes	21,733	31.40%	6,819	22,928	31.40%	7,197
Other temporary differences	77	29.00%	22	49	27.50%	13
Effect of discounting TFR	1,523	27.50%	419	3,212	27.50%	883
Capital gains payment in installments				948	27.50%	261
Deferred tax liabilities consolidation entries	47,443	32.40%	15,357	52,873	32.30%	17,097
<b>Net recognized deferred tax (assets) liabilities</b>			<b>9,513</b>			<b>14,175</b>
- of which deferred tax liabilities			13,350			15,487
- (of which deferred tax assets)			(3,837)			(1,312)
<b>Unrecognized deferred tax assets</b>	<b>148,260</b>		<b>44,789</b>	<b>154,982</b>		<b>46,549</b>
Write-downs for extended impairment	2,959	31.40%	929	2,211	27.50%	608
Inventory write-downs	470	27.50%	129	626	27.50%	172
Bad and doubtful receivables	1,531	27.80%	425	1,509	28.0%	422
Provisions for risks and charges	2,700	28.10%	758	3,508	27.70%	973
Non-deductible interest expense				3,619	27.50%	995
Reportable excess in ROL [reduction in work hours]	3,091	27.50%	850			
Effect of discounting of employee benefits	268	33.30%	89	434	33.30%	145
Tax losses to carry forward	132,035	30.20%	39,905	136,196	30.10%	41,044
Tax loss for the year	1,064	28.30%	323	1,887	27.90%	526
Deferred tax assets on differences in accounting standards	4,142	33.30%	1,381	4,992	33.30%	1,664
<b>Unrecognized deferred tax assets</b>			<b>44,789</b>			<b>46,549</b>

As at December 31, 2013, 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 €161.7 million:

	2013
<b>(thousands of Euros)</b>	
Reno De Medici S.p.A.	41,733
RDM Iberica S.L.	86,464
RDM Blendecques S.A.S.	24,325
Reno De Medici UK Limited	9,211
<b>Total tax losses</b>	<b>161,733</b>

## 26. Employee benefits

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

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Employee benefits	13,502	13,879	(377)
Employee benefits - TFR	14,055	15,302	(1,247)
<b>Non-current employee benefits</b>	<b>27,557</b>	<b>29,181</b>	<b>(1,624)</b>
Employee benefits - TFR	695	25	670
<b>Current employee benefits</b>	<b>695</b>	<b>25</b>	<b>670</b>
<b>Total</b>	<b>28,252</b>	<b>29,206</b>	<b>(954)</b>

Following the legislative changes in previous years regarding the TFR, the Group has continued to recognize its obligations accrued as at December 31, 2006 in accordance with rules for defined-benefit plans, while it recognizes its obligations for amounts accruing from January 1, 2007, due to

supplementary pension funds or the treasury fund of the INPS (Italian social security institute), on the basis of the contributions due during the period.

The decrease in the item non-current “Employee benefits” is essentially due to the increase 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	2.5%	3.25%	3.20%
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
<b>(thousands of Euros)</b>		
<b>Actuarial value on employee benefits at 12.31.2012</b>	<b>29,181</b>	<b>29,181</b>
Service cost	407	407
Interest cost	740	740
Benefits paid	(1,502)	(1,502)
Other changes		
Actuarial gains/losses	(1,269)	(1,269)
<b>Actuarial value of employee benefits at 12.31.2011</b>	<b>27,557</b>	<b>27,557</b>

### *Sensitivity analysis of the discount rate*

The following table shows the balance that the item “Employee Benefits” would have as of December 31, 2013 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%	11,343	+1%	10,802	+0.25%	2,427
Non-current employee benefits as of December 31, 2012	2.5%	11,545	3.25%	13,502	3.2%	2,489
Reduction of discount rate	-25%	11,753	-1%	16,203	-0.25%	2,554

### *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's beneficiaries are certain managers of the RDM Group, and it 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, the 2013 financial statements reflected a provision of €250,000 for the incentive plan intended for senior management based on phantom share performance for 2011-2013.

## 27. Non-current provisions for risks and charges

The balance as at December 31, 2013 was as follows:

	12.31.2012	Other changes	Provisions	Drawings	12.31.2013
<b>(thousands of Euros)</b>					
Provisions for supplementary agents' commission	188	(12)	22	(1)	197
Provisions for future charges	5,553	(428)	2,652	(1,068)	6,709
Provisions for losses on investments	59			(59)	0
<b>Total</b>	<b>5,800</b>	<b>(440)</b>	<b>2,674</b>	<b>(1,128)</b>	<b>6,906</b>

"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 million, are mainly attributable to the provision for redundancy costs (€0.8 million), and to the settlement of a number of disputes. The provision for the year, equal to €2.7 million, refers mainly to the costs deriving from redundancy procedures and to provisions needed to cover costs of future staff layoffs totaling €1.5 million. In addition, costs were allocated for the dismantling of assets in buildings at the Marzabotto mill totaling €0.7 million. Other changes included the release of a portion of the excess provision following the settlement of a pending dispute.

The drawing on "Provisions for losses on investments" is related to the coverage of losses of Careo S.r.l.

## 28. Trade payables and payables to associates and joint ventures

The balance as at December 31, 2013 was as follows:

	12.31.2013	12.31.2012	Change
(thousands of Euros)			
Trade payables	98,878	116,368	(17,490)
Payables to associates and joint ventures	7,016	7,030	(14)
<b>Total</b>	<b>105,894</b>	<b>123,398</b>	<b>(17,504)</b>

“Trade payables” recorded in the financial statements were €98.9 million (€116.4 million as at December 31, 2012) 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 (€7.0 million as at December 31, 2012), relate mainly to trade payables to Careo S.r.l.

## 29. Current taxes

As at December 31, 2013 this item consists of the amount payable to tax authorities for current taxes incurred during the year.

## 30. Non-Recurring Transactions and Abnormal and/or Unusual Transactions

### Significant Non-Recurring Events and Transactions

The effects of non-recurring transactions, as defined by Consob Communication no. DEM/6064293, are shown in the income statement.

Non-recurring revenues of about €1.2 million refer to the release of the client list following notice received from Cascades Inc., including on behalf of Cascades S.A.S., concerning the final termination of validity of the put option as defined in Section 3.3.1 (c) of the Combination Agreement signed in 2007 and later amended in 2009.

See Note 2 of this document for information on the client list.

With the exception of the above, the Group’s financial position, results and cash flows have not been affected by any non-recurring transactions. This term refers to transactions or events which do not occur frequently as part of normal operations.

## Positions or Transactions Deriving from Abnormal and/or Unusual Transactions

In 2013, 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.

## 31. Contingent liabilities and commitments and other collateral 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 collateral given to third parties include:

- sureties of €4.1 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- a surety of €421,000 issued in favor of the Region of Lazio regarding the landfill site at the Villa Santa Lucia (FR) mill;
- sureties of €2.3 million issued to the Comieco consortium;
- sureties of €69,000 issued in favor of the customs authorities;
- a surety of €90,000 issued in favor of the Region of Lombardy;
- a surety of €108,000 issued in connection with property leases;
- a surety of €750,000 issued in favor of Valli S.p.A.;
- a surety of €120,000 issued in favor of Stogit S.p.A.;
- sureties of €228,000 issued in favor of Terna S.p.A.;
- a surety of €492,000 issued in favor of the Revenue Agency for Carta Service Friulana S.r.l. and Cartiera Alto Milanese S.p.A.;
- a surety of €268,000 issued in favor of "GSE";

- a surety of €1.8 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 the Parent Company Reno De Medici S.p.A., with the favorable 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”).

On December 2, 2013 Cascades Inc., partly on behalf of Cascades S.a.s., the largest shareholder of the Company with a 57.612% stake in RDM, gave notice of the final termination of the validity of the put option as defined in Section 3.3.1 (c) of the Combination Agreement signed in 2007 and later amended in 2009.

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.

It is recalled that Reno De Medici approved Manucor's capital increase, but decided not to underwrite it so as to concentrate on its core business.

## 32. Related-Party Transactions

### - Transactions with Subsidiaries, Associates and Joint Ventures

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

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

- 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), RDM Ovaro S.p.A., RDM Iberica S.L. and Reno De Medici UK Ltd;
- provision of general services to Careo, Emmaus, CAM, RDM 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 RDM Ovaro S.p.A.;
- sales of cartonboard to Pac Service S.p.A.;
- purchase of waste paper from ZAR S.r.l.;
- the tax consolidation agreement under which Reno De Medici S.p.A. is the consolidating company vis-à-vis CAM, Emmaus, RDM 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 2013 totaled €3,689,000, while trade payables as at December 31, 2013 amounted to €152,000. During the year, RDM sold the trade receivables of Pac Service S.p.A. under a new non-recourse factoring program. More information can be found in the “Notes” 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 2013 totaled €7,414,000, while trade payables as at December 31, 2013 amounted to €457,000;

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 the Parent Company Reno De Medici S.p.A., with the favorable 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”).

On December 2, 2013 Cascades Inc., partly on behalf of Cascades S.a.s., the largest shareholder of the Company with a 57.612% stake in RDM, gave notice of the final termination of the validity of the put option as defined in Section 3.3.1 (c) of the Combination Agreement signed in 2007 and later amended in 2009.

## 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.

	2013		2012	
	Directors	Statutory auditors	Directors	Statutory auditors
(thousands of Euros)				
Short-term benefits	1,105	166	1,155	166
Post-employment benefits	16		16	
Other long-term benefits				
Severance pay				
Notional income from the Phantom Share plan	86			
<b>Total</b>	<b>1,207</b>	<b>166</b>	<b>1,171</b>	<b>166</b>

Compensation not yet paid to Directors and Statutory Auditors as at December 31, 2013 amounted to €847,000 and €166,000 respectively.

## Receivables and Payables with Related Parties

The table below provides a breakdown of receivables and payables with related parties as at December 31, 2013 and December 31, 2012:

December 31, 2013	Current assets					
	Trade receivables	Receivables from associates and joint ventures	Other receivables from associates and joint ventures	Trade payables	Payables to associates and joint ventures	Other payables to associates and joint ventures
(thousands of Euros)						
Careo Ltd.		23				
Careo S.A.S.		161			42	
Careo Spain S.L.		16			15	
Careo S.r.l.		374			6,223	615
Cascades Asia Ltd	362					
Cascades Canada Inc.				26		
Cascades Djupafors A.B.	65			187		
Cascades S.A.	64			890		
Cascades Groupe Produits				1		
Pac Service S.p.A.					152	
Carta Service Friulana SRL		127				
Manucor S.p.A.					127	
ZAR SRL			90		457	
<b>Total</b>	<b>491</b>	<b>701</b>	<b>90</b>	<b>1,104</b>	<b>7,016</b>	<b>615</b>
<b>Share of item total</b>	<b>0.7%</b>	<b>100%</b>	<b>100%</b>	<b>1.1%</b>	<b>100%</b>	<b>100%</b>

December 31, 2012

Current assets

	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
<b>(thousands of Euros)</b>							
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					
Manucor S.p.A.							
ZAR SRL			90		132		
<b>Total</b>	<b>621</b>	<b>966</b>	<b>90</b>	<b>1,936</b>	<b>7,030</b>	<b>2,120</b>	<b>1,204</b>
<b>Share of item total</b>	<b>0.7%</b>	<b>100%</b>	<b>100%</b>	<b>1.7%</b>	<b>100%</b>	<b>100%</b>	<b>80,8%</b>

## Revenues and costs deriving from related-party transactions

The tables below provide a breakdown of revenues and costs with related parties during 2013 and 2012:

December 31, 2013	Revenues from sales	Other revenues	Financial income
(thousands of Euros)			
Careo GmbH		18	
Careo Ltd		169	
Careo S.A.S.	485	58	
Careo Spain S.L.	86		
Careo S.r.l.		741	75
Cascades Asia Ltd	3,202		
Cascades Djupafors A.B.	388		
Cascades S.A.	218	34	
Pac Service S.p.A.	3,689		
<b>Total</b>	<b>8,068</b>	<b>1,020</b>	<b>75</b>
<b>Share of item total</b>	<b>1.7%</b>	<b>6%</b>	<b>39.3%</b>

December 31, 2013	Cost of raw materials and services	Financial expense
(thousands of Euros)		
Careo S.A.S.	42	
Careo S.r.l.	10,729	10
Cascades Canada ULC	58	
Cascades Djupafors A.B.	861	
Cascades S.A.	3,166	
Careo Spain	17	
ZAR SRL	7,414	
Red. Imm. S.r.l.	20	
<b>Total</b>	<b>22,307</b>	<b>10</b>
<b>Share of item total</b>	<b>6%</b>	<b>0.2%</b>

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		
<b>Total</b>	<b>8,399</b>	<b>1,718</b>	<b>108</b>
<b>Share of item total</b>	<b>1.8%</b>	<b>14.3%</b>	<b>70.6%</b>

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	
<b>Total</b>	<b>19,474</b>	<b>61</b>
<b>Share of item total</b>	<b>5.1%</b>	

## 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, 2013 with the situation as at December 31, 2012, 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.

	12.31.2013		12.31.2012	
	Book value	Fair value	Book value	Fair value
<b>(thousands of Euros)</b>				
<b>Cash and cash equivalents</b>	<b>2,716</b>	<b>2,716</b>	<b>3,137</b>	<b>3,137</b>
<b>Loans and receivables</b>	<b>83,186</b>	<b>83,186</b>	<b>93,558</b>	<b>93,558</b>
Trade receivables	67,492	67,492	86,384	86,384
Other receivables from associates and joint ventures	241	241	445	445
Other receivables	15,453	15,453	6,729	6,729
<b>Available-for-sale financial assets</b>	<b>0</b>	<b>0</b>	<b>191</b>	<b>191</b>
<b>Financial liabilities at amortized cost</b>	<b>(193,116)</b>	<b>(195,200)</b>	<b>(226,098)</b>	<b>(230,702)</b>
Unsecured medium- and long-term bank loans at amortized cost	(1,073)	(1,113)	(1,086)	(1,117)
Secured medium- and long-term bank loans at amortized cost	(45,939)	(47,983)	(48,860)	(53,433)
Short-term bank loans as use of commercial facilities	(25,425)	(25,425)	(36,040)	(36,040)
Trade payables	(105,894)	(105,894)	(123,398)	(123,398)
Other payables to associates and joint ventures	(615)	(615)	(2,120)	(2,120)
Other payables	(14,170)	(14,170)	(14,594)	(14,594)
<b>Financial liabilities at fair value through profit and loss</b>	<b>(139)</b>	<b>(139)</b>	<b>(277)</b>	<b>(277)</b>
<b>Hedging derivatives</b>	<b>(588)</b>	<b>(588)</b>	<b>(1,125)</b>	<b>(1,125)</b>
	<b>(107,941)</b>	<b>(110,025)</b>	<b>(130,614)</b>	<b>(135,218)</b>
<b>Unrecognized profits (losses)</b>	<b>(2,084)</b>		<b>(4,604)</b>	

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 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		12.31.2013	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	297		297	
Derivative instruments on interest rates	Current derivative instruments	430		430	

As at 31 December 2013, 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, 2013 and December 31, 2012.

Future flows were discounted on the basis of the same euro yield curve as at December 31, 2013 and December 31, 2012.

## Financial Assets

The table below provides a breakdown of financial assets:

	12.31.2013	12.31.2012
(thousands of Euros)		
<b>Non-current financial assets</b>		
<i>Non-derivative financial assets</i>	0	191
Available-for-sale financial assets	0	191
<b>Total</b>	<b>0</b>	<b>191</b>
<b>Current financial assets</b>		
Non-derivative financial assets	2,716	3,137
<b>Total</b>	<b>2,716</b>	<b>3,137</b>

## Financial Liabilities

The table below provides a breakdown of financial liabilities:

	12.31.2013	12.31.2012
(thousands of Euros)		
<b>Non-current liabilities</b>		
<i>Non-derivative liabilities</i>	(32,322)	(37,042)
Unsecured medium- and long-term bank loans at amortized cost	(735)	(1,052)
Secured medium- and long-term bank loans at amortized cost	(31,587)	(35,990)
<i>Hedging derivatives</i>	(227)	(622)
<i>Non-hedging derivatives</i>	(70)	(143)
<b>Total</b>	<b>(32,619)</b>	<b>(37,806)</b>
<b>Current liabilities</b>		
<i>Non-derivative liabilities</i>	(39,936)	(48,944)
Current portion of unsecured medium- and long-term bank loans at amortized cost	(339)	(34)
Current portion of secured medium- and long-term bank loans at amortized cost	(14,144)	(12,870)
Short-term bank loans as use of commercial facilities	(25,453)	(36,040)
<i>Hedging derivatives</i>	(361)	(503)
<i>Non-hedging derivatives</i>	(69)	(134)
<b>Total</b>	<b>(40,366)</b>	<b>(49,581)</b>

## Loan Repayment Plans, Terms and Conditions

The terms and conditions of the loans are summarized in the table below.

	Currency	Nominal interest rate	Year of maturity	Nominal value at 12.31.2013	Book value	Nominal value at 12.31.2012	Book value
(thousands of Euros)							
<b>Secured medium- and long-term bank loans at amortized cost</b>							
Intesa SanPaolo syndicated loan (tranche A)	Euro	Eur6m+spread	2016	15,701	15,432	21,982	21,469
Intesa SanPaolo syndicated loan (tranche B)	Euro	Eur6m+spread	2016	5,000	4,950	7,000	6,905
Banca Popolare Emilia Romagna	Euro	mEur6m+spread	2016	1,550	1,544	2,170	2,158
Intesa San Paolo	Euro	Eur6m+spread	2016	8,190	8,190	11,466	11,466
Dresdner Bank	Euro	Eur6m+spread	2015	1,429	1,429	2,143	2,143
Frie 1	Euro	Eur6m	2022	2,010	2,010	1,450	1,450
Frie 2	Euro	Eur6m	2022	6,500	6,500	0	0
Friulia Loan	Euro	Eur6m+spread	2019	2,313	2,283	0	0
Friulia S.p.A.	Euro	Eur6m+spread		2,708	2,516	2,570	2,264
<b>Unsecured medium- and long-term bank loans at amortized cost</b>							
MinIndustria 10686	Euro	Fix	2014	154	154	154	154
MinIndustria 11172	Euro	Fix	2017	624	624	625	625
M.I.T.C.	Euro	Fix	2025	238	238	238	238
Leasing Caterpillar	Euro	Fix	2016	35	35	48	48
Caja Duero	Euro	Fix	2019	732	732	848	848
<b>Total medium- and long-term loans</b>							
<b>Short-term bank loans as use of commercial facilities</b>							
Used portfolio	Euro	Euribor+spread	n/a	6,758	6,758	10,994	10,994
Pre-paid invoices	Euro	Euribor+spread	n/a	3,066	3,066	2,413	2,413
Export loans	Euro	Euribor+spread	n/a	11,897	11,897	13,124	13,124
Import loans	Euro	Euribor+spread	n/a	3,721	3,721	9,497	9,497
<b>Total short-term loans</b>							
<b>Total interest-bearing liabilities</b>							

## 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)	
<b>Reserve 12.31.2012</b>	<b>(563)</b>
<i>Fair value adjustment of cash flow hedge derivatives</i>	520
<i>Tax effect of fair value adjustment of cash flow hedge derivatives</i>	(143)
<i>Transfers to the income statement</i>	(14)
<i>Tax effect of transfers to the income statement</i>	4
<b>Reserve 12.31.2013</b>	<b>(196)</b>

## 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:

	12.31.2013	12.31.2012
(thousands of Euros)		
Gross trade receivables	72,989	92,052
- provision for bad and doubtful debts	(5,537)	(5,709)
<b>Total</b>	<b>67,452</b>	<b>86,343</b>

## 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, 2013	More than 60 days	From 31 to 60 days	From 0 to 30 days	Non-overdue receivables	Total
(thousands of Euros)					
Italy	2,994	673	5,348	39,047	48,062
EU	230	344	2,313	8,180	11,067
Rest of world	51	1	2,345	5,926	8,323
<b>Total</b>	<b>3,275</b>	<b>1,018</b>	<b>10,006</b>	<b>53,153</b>	<b>67,452</b>

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	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
<b>Total</b>	<b>3,576</b>	<b>1,211</b>	<b>10,957</b>	<b>70,599</b>	<b>86,343</b>

The Group's overdue receivables as at December 31, 2013 showed an improvement in absolute terms dropping from €15.7 million to €14.3 million. They represent 21.2% of the total portfolio compared to 18.2% reported in the previous year, but the comparison in percentage terms is distorted by the €18.9 million reduction in overall receivables due mainly to higher factoring transactions.

## How Credit Risk is Managed

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

Both the Parent Company and French and German subsidiaries have also entered into non-recourse receivable assignment agreements.

The internal procedures for carrying out a creditworthiness assessment involve collecting and analyzing qualitative and quantitative information and the use of external data bases and commercial information. The policies adopted have to date allowed for limiting losses on receivables, which in 2013 were lower than the previous year. In any case, there was a deterioration in the general credit situation in countries that are more exposed to the general economic crisis, especially in Italy.

## 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 2013 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;

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

In terms of exposure to currency risk, in 2013, the Group managed the marginal imbalance between investments and funds in the same currency by using a natural-hedging approach and by carefully and continually monitoring market conditions; as a result, it was not deemed necessary to resort to hedging derivatives.

The Group's exposure in euros is shown below, based on the official ECB exchange rates as at December 31, 2013 and December 31, 2012, as reported in the following table:

ECB exchange rates	12.31.2013	12.31.2012
(per euro)		
USD	1,3791	1,3194
GBP	0,8337	0,8161
CHF	1,2276	1,2072
CAD	1,4671	1,3137

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.

	12.31.2013				12.31.2012			
	USD	GBP	CHF	CAD	USD	GBP	CHF	CAD
(thousands of Euros)								
Trade receivables	4,878	1,077	(3)		6,188	1,262	(1)	
Short-term bank loans as use of commercial facilities								
Trade payables	(2,183)			(26)	(2,784)	(105)		(13)
Cash and cash equivalents	1,160	529	2	1	3,507	868		
<b>Exposure</b>	<b>3,855</b>	<b>1,606</b>	<b>(1)</b>	<b>(25)</b>	<b>6,911</b>	<b>2,025</b>	<b>(1)</b>	<b>(13)</b>

### *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 (as at December 31, 2013 and December 31, 2012) 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 as at December 31, 2013 and December 31, 2012 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	Gain or loss	10% depreciation of the euro	Gain or loss
(thousands of Euros)		(thousands of Euros)	
December 31, 2013		December 31, 2013	
USD	(350)	USD	428
GBP	(146)	GBP	178
CHF		CHF	
CAD	2	CAD	(3)
<b>Total</b>	<b>(494)</b>	<b>Total</b>	<b>603</b>
December 31, 2012		December 31, 2012	
USD	(628)	USD	768
GBP	(193)	GBP	236
CHF		CHF	
CAD	1	CAD	(1)
<b>Total</b>	<b>(820)</b>	<b>Total</b>	<b>1,003</b>

### *How Currency Risk is Managed*

The main objective of the Group's currency-risk management policy is to limit the exposure to foreign currency arising from exporting finished goods to and importing raw materials from foreign markets. The following guidelines are used in pursuing this policy:

- inflows and outflows in the same currency are offset (natural hedging);
- recourse is made to forward sales or to export loans in the same currency. These transactions were arranged by using a notional amount and due date 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.
- 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 loans.

The table below sets out the positions that are subject to interest rate risk, separating fixed-rate from floating-rate exposure in terms of the nominal value of the financial instruments.

However, the exposure to interest rate risk arising from loans is partially mitigated by entering into interest rate swap agreements designed to hedge the volatility of future cash flows indexed to market rates.

	12.31.2013	%	12.31.2012	%
<b>(thousands of Euros)</b>				
Floating-rate medium- and long-term loans	(18,875)	27.0%	(20,322)	24.1%
Floating-rate medium- and long-term loans hedged by IRS	(8,394)	12.0%	(13,729)	16.3%
Fixed-rate medium- and long-term loans	(1,345)	1.9%	(1,052)	1.3%
<b>Total non-current liabilities</b>	<b>(28,614)</b>	<b>40.9%</b>	<b>(35,103)</b>	<b>41.7%</b>
Floating-rate medium- and long-term loans	(9,589)	13.7%	(7,172)	8.5%
Floating-rate medium- and long-term loans hedged by IRS	(5,834)	8.3%	(5,834)	7.0%
Fixed-rate medium- and long-term loans	(439)	0.6%	(13)	0.0%
Floating-rate short-term bank loans as use of commercial facilities	(25,442)	36.4%	(36,028)	42.8%
<b>Total current liabilities</b>	<b>(41,304)</b>	<b>59.1%</b>	<b>(49,047)</b>	<b>58.3%</b>
<i>Total (floating rate)</i>	<i>(53,906)</i>	<i>77.1%</i>	<i>(63,522)</i>	<i>75.5%</i>
<i>Total (fixed rate or hedged floating rate)</i>	<i>(16,012)</i>	<i>22.9%</i>	<i>(20,628)</i>	<i>24.5%</i>
<b>Total</b>	<b>(69,918)</b>	<b>100.0%</b>	<b>(84,150)</b>	<b>100.0%</b>

## 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)			
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
<b>(thousands of Euros)</b>				
<b>December 31, 2013</b>				
Cash flows during the year	<b>(164)</b>	<b>164</b>		
<i>Cash flows from derivatives</i>	<i>68</i>	<i>(68)</i>		
<i>Floating-rate loans</i>	<i>(232)</i>	<i>232</i>		
Effectiveness of hedges			85	(85)
<b>Net sensitivity of financial flows</b>	<b>(164)</b>	<b>164</b>	<b>85</b>	<b>(85)</b>
<b>December 31, 2012</b>				
Cash flows during the year	<b>(345)</b>	<b>346</b>		
<i>Cash flows from derivatives</i>	<i>106</i>	<i>(105)</i>		
<i>Floating-rate loans</i>	<i>(451)</i>	<i>451</i>		
Effectiveness of hedges			156	(152)
<b>Net sensitivity of financial flows</b>	<b>(345)</b>	<b>346</b>	<b>156</b>	<b>(152)</b>

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

### *How Interest Rate Risk is Managed*

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

The techniques used most often are:

- advances for short-term 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.

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

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

Specifically, the hedging relations involve converting floating-rate loan payments to fixed-rate payments. This is carried out by using interest rate swaps, 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 June 2012, the Group entered into contracts for the supply of natural gas for 2013 at a fixed price for a portion of the amount needed. In order to limit commodity risk, other fixed-price supply contracts were entered into for shorter consumption periods that were negotiated and confirmed at different times to fulfill the needs of plants. All prices are expressed in euros per unit of volume.

At the end of October 2012, 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, and are expressed in euros per unit of electricity.

As at December 31, 2013, there were no outstanding derivative instruments for hedging commodity risk.

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

### *How Commodity Risk is Managed*

The nature of the Group's business entails exposure to fluctuations in the price of electricity, natural gas and certain chemicals derived from petroleum (such as latexes) and fibrous raw materials.

Natural gas supply contracts are at a fixed price, and are entered into at least three months before the supply period. Electricity is purchased at a price indexed to amounts set in continental electricity markets, such as those published by entities responsible for these markets.

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 as at December 31, 2013 and December 31, 2012.

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, 2013	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
<b>(thousands of Euros)</b>							
Cash and cash equivalents	2,716	2,716	2,716				
Trade receivables	67,493	67,493	67,452				41
Other receivables from associates and joint ventures	241	241	241				
Other receivables	15,453	15,453	14,495		704		254
Medium- and long-term bank loans	(47,012)	(49,812)	(7,997)	(7,684)	(18,438)	(11,726)	(3,967)
Short-term bank loans as use of commercial facilities	(25,442)	(25,442)	(25,442)				
Other payables	(14,170)	(14,170)	(13,936)	(52)	(52)	(130)	
Other payables from associates and joint ventures	(615)	(615)	(615)				
Hedging derivative instruments	(588)	(591)	(210)	(152)	(199)	(30)	
Non-hedging derivative instruments	(139)	(139)	(51)	(42)	(43)	(3)	
Trade payables	(105,894)	(105,894)	(105,894)				
<b>Total</b>	<b>(107,957)</b>	<b>(110,760)</b>	<b>(69,241)</b>	<b>(7,929)</b>	<b>(18,027)</b>	<b>(11,889)</b>	<b>(3,673)</b>

December 31, 2012	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
<b>(thousands of Euros)</b>							
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 of 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)				
<b>Total</b>	<b>(217,189)</b>	<b>(221,552)</b>	<b>(174,050)</b>	<b>(7,373)</b>	<b>(14,955)</b>	<b>(24,009)</b>	<b>(1,165)</b>

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, 2013 (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 2013 can be found in the Directors' Report.

## CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

### AS AT DECEMBER 31, 2013, 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, 2013.

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, 2014

The CEO  
signed

Ignazio Capuano

The Financial Reporting Executive  
signed

Stefano Moccagatta

## INDEPENDENT AUDITOR'S REPORT







NOTES TO THE  
SEPARATE  
FINANCIAL  
STATEMENTS AT  
DECEMBER 31,  
2013



## STATEMENT OF INCOME

	Note	12.31.2013	12.31.2012
Revenues from sales	1	215,898,846	230,773,867
- of which related parties	36	45,965,315	45,780,434
Other revenues and income	2	18,096,132	14,244,908
- of which non-recurring		1,204,033	
- of which related parties	36	7,070,397	6,477,620
Change in inventories of finished goods	3	2,358,603	4,153,122
Cost of raw materials and services	4	(179,011,660)	(196,534,967)
- of which related parties	36	(10,826,921)	(9,255,758)
Personnel costs	5	(30,842,564)	(33,705,306)
Other operating costs	6	(2,651,922)	(2,706,401)
<b>Gross operating profit</b>		<b>23,847,435</b>	<b>16,225,223</b>
Depreciation and amortization	7	(12,853,403)	(14,745,986)
Write-downs	8	(3,963,059)	(1,914,242)
<b>Operating profit</b>		<b>7,030,973</b>	<b>(435,005)</b>
Financial expense		(5,132,247)	(6,297,443)
Gains (losses) on foreign exchange		(69,859)	(3,963)
Financial income		270,339	346,753
Net financial income (expense)	9	(4,931,767)	(5,954,653)
Gains (losses) from investments	10	(4,266,167)	(2,568,818)
Taxes	11	2,843,432	(973,243)
<b>Profit (loss) for the year</b>		<b>676,471</b>	<b>(9,931,719)</b>

## STATEMENT OF COMPREHENSIVE INCOME

	Note	12.31.2013	12.31.2012
Profit (loss) for the year		676,471	(9,931,719)
Other components of comprehensive profit (loss)			
Other components that may be transferred to the income statement in subsequent financial periods:		366,984	140,686
<i>Change in fair value of cash flow hedges</i>	24	366,984	140,686
Other components that will not be transferred to the income statement in subsequent financial periods:		372,067	(1,507,670)
<i>Actuarial gain (loss)</i>	24	372,067	(1,507,670)
Total other components of comprehensive profit (loss)		739,051	(1,366,984)
Total comprehensive profit (loss)		1,415,522	(11,298,703)

## STATEMENT OF FINANCIAL POSITION

	Note	12.31.2013	12.31.2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	12	128,592,993	140,260,156
Other intangible assets	13	1,086,305	1,248,891
Investments in Subsidiaries	14	75,745,974	79,771,411
Investments in Associates, Joint Ventures and other companies	15	630,509	1,888,238
Financial assets held for sale	16		191,216
Deferred tax assets	17	2,631,801	
Other receivables	18	455,198	295,660
<b>Total non-current assets</b>		<b>209,142,780</b>	<b>223,655,572</b>
<b>Current assets</b>			
Inventories	19	38,692,037	38,761,897
Trade receivables	20	28,318,717	30,472,688
Receivables from Group Companies	21	16,686,090	23,454,009
Other receivables	18	8,071,306	1,657,679
Other receivables from Group Companies	22	4,144,539	4,269,601
Cash and cash equivalents	23	2,278,460	2,629,088
<b>Total current assets</b>		<b>98,191,149</b>	<b>101,244,962</b>
<b>TOTAL ASSETS</b>		<b>307,333,929</b>	<b>324,900,534</b>

	Note	12.31.2013	12.31.2012
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital		185,122,487	185,122,487
Other reserves		3,210,038	2,470,987
Retained earnings (losses)		(42,622,236)	(32,690,518)
Profit (loss) for the year		676,471	(9,931,719)
<b>Total shareholders' equity</b>	<b>24</b>	<b>146,386,760</b>	<b>144,971,237</b>
<b>Non-current liabilities</b>			
Payables to banks and other lenders	23	18,619,713	30,894,681
Other Payables to Group Companies	32	714,286	1,428,571
Derivative instruments	25	281,122	703,424
Other payables	26	234,464	1,490,600
- of which related parties	34		1,204,033
Deferred taxes	27		572,723
Employee benefits	28	8,949,880	9,766,921
Non-current provisions for risks and charges	29	4,805,847	3,685,470
<b>Total non-current liabilities</b>		<b>33,605,312</b>	<b>48,542,390</b>
<b>Current liabilities</b>			
Payables to banks and other lenders	23	34,731,513	37,948,458
Derivative instruments	25	389,325	579,911
Trade payables	30	58,335,948	70,804,953
Payables to Group Companies	31	4,334,807	3,651,466
Other payables	26	6,304,646	5,322,736
Other payables to Group Companies	32	22,045,141	13,042,818
Current taxes	33	682,587	11,728
Employee benefits	28	517,890	24,837
<b>Total current liabilities</b>		<b>127,341,857</b>	<b>131,386,907</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>307,333,929</b>	<b>324,900,534</b>

## STATEMENT OF CASH FLOWS

	Note	12.31.2013	12.31.2012
<b>(thousands of Euros)</b>			
Profit (loss) for the period before tax		(2,167)	(8,958)
Depreciation, amortization and write-downs	7	12,853	14,746
Write-downs	8	3,963	1,914
Losses (gains) from investments	10	4,266	2,569
Financial (income) expense	9	4,862	5,951
Capital losses (gains) on sale of fixed assets		(473)	(264)
Change in provisions for employee benefits and in other provisions, including the provision for bad and doubtful receivables		16	(1,511)
Change in inventories	19	(842)	(1,849)
Change in trade receivables		1,548	1,443
- of which related parties	36	5,449	(5,981)
Change in trade payables		(12,060)	(8,683)
- of which related parties	36	(565)	(2,976)
Change in total working capital		(11,354)	(9,089)
<b>Gross cash flows</b>		<b>11,966</b>	<b>5,358</b>
Interest paid in the year		(4,115)	(5,422)
- of which related parties	36	(438)	(596)
Interest received in the year		221	321
- of which related parties	36	221	321
Taxes paid in the year		(875)	(1,664)
<b>Cash flows from operating activities</b>		<b>7,197</b>	<b>(1,407)</b>
Sale (purchase) of available-for-sale financial assets		8	3
Net investment in non-current assets		(3,522)	(11,211)
Disinvestment in non-current assets held for sale and spare parts		1,079	2,365
Transactions on subsidiaries' and joint ventures' capital	14	(203)	28,414
Equity investments in subsidiaries	14		(10,000)
Investment in joint ventures			(30)
Sale of business unit			10,000
Dividends received		3,374	3,598
<b>Cash flows from investing activities</b>		<b>736</b>	<b>23,139</b>
Change in other financial assets and liabilities and short-term payables to banks		4,606	(4,184)
- of which related parties	36	8,796	(15,137)
Change in medium- and long-term loans		(12,890)	(17,118)
- of which related parties	36	(714)	(4,941)
<b>Cash flows from financing activities</b>		<b>(8,284)</b>	<b>(21,302)</b>
Change in unrestricted cash and cash equivalents	23	(351)	430
Unrestricted cash and cash equivalents at the beginning of the period	23	2,629	2,199
Unrestricted cash and cash equivalents at the end of the period	23	2,278	2,629

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands of Euros)	Share capital	Legal reserve	Extraordinary reserve	Profit (loss) carried forward	Profit (loss) for the year	Hedging reserve	Reserve for actuarial gain (loss)	Ovaro sale reserve	Total shareholders' equity
<b>Shareholders' equity at 12.31.2011 (*)</b>	<b>185,122</b>	<b>208</b>	<b>1,150</b>	<b>(36,616)</b>	<b>4,126</b>	<b>(703)</b>	<b>(122)</b>		<b>153,165</b>
Allocation of 2011 profit		200		3,926	(4,126)				
Ovaro sale reserve								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)
<b>Shareholders' equity at 12.31.2012</b>	<b>185,122</b>	<b>408</b>	<b>1,150</b>	<b>(32,690)</b>	<b>(9,932)</b>	<b>(562)</b>	<b>(1,630)</b>	<b>3,105</b>	<b>144,971</b>
Allocation of 2012 profit				(9,932)	9,932				
Profit (loss) for the year					677				677
Other components of comprehensive profit (loss)						367	372		739
Total comprehensive profit (loss)					677	367	372		1,416
<b>Shareholders' equity at 12.31.2013</b>	<b>185,122</b>	<b>408</b>	<b>1,150</b>	<b>(42,622)</b>	<b>677</b>	<b>(195)</b>	<b>(1,258)</b>	<b>3,105</b>	<b>146,387</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Structure and content

RDM is a company which is established as a legal entity under Italian law, which operates mainly in Italy. The business of the Company is the production and distribution of cartonboard made mainly from recycled fibers (recycled cartonboard). Distribution and sale 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, 2014.

Reno De Medici S.p.A., as Parent Company, also prepared the consolidated financial statements of the RDM Group at December 31, 2013.

The separate financial statements for 2013 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. 38/2005. IFRS is also understood as all the revised international accounting standards (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 as for the Annual Report at December 31, 2012.

Accounting principles, amendments and interpretations effective from January 1, 2013 specifying any impact in these separate financial statements for each of them:

- Amendments to IAS 19 – Employee Benefits. Note that the amendment has been adopted early from January 1, 2012;
- IFRS 13 – Fair value measurement. The principle establishes how the fair value should be determined for the purpose of the financial statements and is applied to all cases in which the IAS/IFRS principles require or allow fair value measurement or the presentation of information based on fair value, with some limited exceptions. In addition, the principle requires more extensive information on the fair value measurement (fair value hierarchy) than currently required by IFRS 7. The principle applies from January 1, 2013 onwards. The adoption of the principle has not had any significant effects;
- Amendments to IAS 1 – Presentation of Financial Statements: presentation of total other earnings and other losses. The amendments require the grouping together of all items presented under total earnings/losses depending on whether or not they can be reclassified following the income statement. The Group has adopted these amendments

in these financial statements changing the presentation of the following items: the comparative information presented has been consistently re-presented;

- Amendments to IFRS 7 – Financial Instruments: Disclosures. The amendments require the presentation of certain information about the effects or potential effects on the statement of financial position of a company resulting from financial asset and liability offsetting carried out when applying IAS 32. The amendments are applicable for the years starting from or after January 1, 2013. The information should be supplied retrospectively. The application of the amendments has not involved any effect being recorded in these financial statements;
- Annual Improvements to IFRSs: 2009-2011 cycle, which clarifies the rules for the presentation of comparative information in the case of changes to the accounting principles and re-presentation of the comparative figures or reclassification in cases in which additional statements of financial position are provided. The adoption of the principle did not have any effects.

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;
- IAS 32 – Financial Instruments: Presentation;
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Extent of investment;
- Amendments to IAS 36 – Reduction in value of assets – Disclosures on the recoverable amount of non-financial assets;
- Amendments to IAS 39 - Financial Instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting

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 standards and amendments:

- IFRIC 21 – Levies;
- IFRS 9 – Financial instruments and amendments;
- Annual Improvement to IFRS'S – 2010 – 2012 Cycle;
- Annual Improvements to IFRSs: 2011-2013 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 into account 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 shareholders' equity is presented by showing separately the profit or loss for the year and any income and expense recognized directly in equity and not in the income statement, in accordance with specific IAS/IFRS requirements. It also shows separately the transactions with shareholders.

## ACCOUNTING PRINCIPLES

### TANGIBLE ASSETS

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

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

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

Assets acquired under finance leases, which assign to the Group substantially all the risks and rewards of ownership, are recognized as tangible 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 depreciation purposes:

Category		Years
Buildings	Industrial buildings	33
	Small structures	20
Plant and machinery	General plant and machinery	20 – 10 - 5
	Specific plant and machinery	20 – 10 - 5
Industrial and commercial equipment	Miscellaneous equipment	5
Other assets	Furniture and ordinary office machines	8
	Electronic office machines	5
	Internal vehicles	5
	Motor vehicles	4

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

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

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

## 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, JOINT VENTURES AND OTHER COMPANIES**

Investments in subsidiaries, associates and joint ventures are measured at cost and undergo testing to determine the extent of any impairment losses, as described in the “Impairment” section above.

The test is conducted whenever there are impairment indicators.

With regard to investments in subsidiaries, associates and joint ventures, where the investee company has distributed dividends, the following situations are also considered to be impairment indicators:

- the book value of the 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 comprehensive profits (statement of comprehensive income) of the investee company in the period to which the dividend applies;
- the recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Specifically, when considering the existence of possible impairment of equity investments in subsidiaries and associates, since these are holdings for which a reliable market value (fair value less costs to sell) cannot be determined, the recoverable amount was defined as value in use, i.e. the present value of cash flows estimated with reference to the forecast results of the investee companies and to the estimated value of a hypothetical ultimate disposal in accordance with IAS 28 (paragraph 33).

When it is necessary to proceed with a write-down, this is charged to the income statement for the year in which it was measured.

When the impairment of an asset is subsequently eliminated or reduced, the 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.

Investments in other companies 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 investment has not been sold. Where fair value cannot be reliably measured, investments are measured at cost as adjusted for any impairment losses.

## **AVAILABLE-FOR-SALE FINANCIAL ASSETS**

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

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.

## **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.

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

### *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 fulfill that obligation and when a reliable estimate of the amount can be made. Provisions are measured at the best estimate of the amount that, at the reporting date, the 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. After initial recording, loans are subsequently measured at amortized cost, which is calculated using the effective interest method taking into account issue costs and any settlement discount or premium.

## **TRADE AND OTHER PAYABLES**

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

## RECOGNITION OF REVENUES

Revenues are recognized where it is probable that the Company will obtain the economic benefits associated with the sale of goods or provision of services, and where the relevant amount can be reliably determined. Revenues are recorded at the fair value of the consideration received or expected, taking into account any volume 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., R.D.M. Ovaro S.p.A.) 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.

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

Income taxes are recognized in the income statement unless they relate to items directly credited or charged to 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, with the resulting risk that adjustments may need to be made in future years, with similarly significant effects on these amounts.

## **FAIR VALUE OF DERIVATIVE CONTRACTS AND FINANCIAL INSTRUMENTS**

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

## **TAXES**

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

## **IMPAIRMENT TESTS**

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

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

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

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

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

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

- a) estimates of future operating cash flows;
- b) the discount rate;
- c) the final growth rate.

With respect to point a), given the current economic and financial crisis, the Parent Company has made a prudent assumption, valid only for impairment testing, of the development of its operations between 2014 and 2016.

The Parent Company has used the same net discount rate, 6.74%, for all cash-generating units when discounting cash flows, a rate which reflects current market assessments and also takes into account the specific risks of the sector.

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

On this basis, there was no need to recognize an impairment loss except for the Marzabotto mill and the investment in Reno De Medici Iberica S.l. and in RDM Blendecques S.A.S., 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 changing situation in order to make any necessary revision to the assumptions underlying the estimates.

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

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

## NOTES

### 1. Revenues from sales

These revenues arise essentially from sales of cartonboard:

	12.31.2013	12.31.2012	Change
(thousands of Euros)			
Revenues from sales	215,899	230,774	(14,875)
<b>Total revenues from sales</b>	<b>215,899</b>	<b>230,774</b>	<b>(14,875)</b>

In 2013 revenues decreased by €14.9 million (-6.45%) due to the combined effect of the sale of the Ovaro business unit and volume and price movements that affected this item. To be specific, as at December 31, 2012 comparative figures included revenues (€22.1 million) for the first half year for the Ovaro mill that was sold to RDM Ovaro S.p.A. in the second half of the year.

This decrease was partially offset by the increase in volume sold in remaining mills even though prices declined during the year.

The breakdown of sales revenues by geographic area is given below. The decrease in the domestic market (-12.3%), due mainly to the sale of Ovaro, was offset by an increase in sales in the foreign market (6.9%).

	12.31.2013	12.31.2012	Change	%
(thousands of Euros)				
Italy	127,440	145,296	(17,856)	(-12.3%)
EU	46,280	43,040	3,240	(7.5%)
Non-EU	42,179	42,438	(259)	(-0.6%)
<b>Total revenues from sales</b>	<b>215,899</b>	<b>230,774</b>	<b>(14,875)</b>	<b>(-6.4%)</b>

## 2. Other revenues and income

Other revenues and income may be analyzed as follows:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Grants	240	268	(28)
Indemnities	185	466	(281)
Ordinary capital gains	480	265	215
Increases in assets		169	(169)
Rental income	420	211	209
Revenues for services	6,349	6,194	155
Revenues from sales of energy	8,749	5,910	2,839
Other revenues	1,673	762	911
<b>Total</b>	<b>18,096</b>	<b>14,245</b>	<b>3,851</b>

“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 the sale of energy” were related to revenues paid by certain energy suppliers for joining the “interruption” scheme, the allocation of energy efficiency certificates and monetary credits granted by energy authorities in relation to being designated a “new entrant” in the ETS/2 system [emission trading system].

“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. The item also includes payment for the sale of the virgin fiber client list to Cascades S.A.S. in 2008 (€1.2 million) following the business combination with the Cascades Group. This amount was recorded in revenues at the end of the year since the major shareholder gave notice, at the end of the year, of the final termination of the validity of the put option as defined in the Combination Agreement. See Note 26 for further details.

## 3. Change in inventories of finished goods

The change in inventories (+€2.4 million) is due to the increased physical stocks in the warehouse compared with 2012.

#### 4. Cost of raw materials and services

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
<b>Cost of raw materials</b>	<b>98,355</b>	<b>107,942</b>	<b>(9,587)</b>
Purchase of raw materials	96,994	105,282	(8,288)
Change in inventories of raw materials	1,361	2,660	(1,299)
<b>Commercial services</b>	<b>23,516</b>	<b>24,079</b>	<b>(563)</b>
Shipping	18,498	18,974	(476)
Commission and agents' costs	5,018	5,105	(87)
<b>Industrial services</b>	<b>48,357</b>	<b>54,736</b>	<b>(6,379)</b>
Energy	32,200	39,441	(7,241)
Maintenance	3,394	3,004	390
Waste disposal	6,096	6,305	(209)
Other industrial services	6,667	5,986	681
<b>General services</b>	<b>7,554</b>	<b>8,456</b>	<b>(902)</b>
Insurance	1,374	1,591	(217)
Legal, notarial, administrative and contractual services	2,704	2,579	125
Board of directors	656	839	(183)
Board of statutory auditors	166	166	
Postal and telecommunications	452	507	(55)
Other	2,202	2,774	(572)
<b>Costs for use of third-party assets</b>	<b>1,230</b>	<b>1,322</b>	<b>(92)</b>
Rental and leasing	1,230	1,322	(92)
<b>Total</b>	<b>179,012</b>	<b>196,535</b>	<b>(17,523)</b>

The decrease in this item was mainly affected by the sale of the Ovaro business unit. In fact, the 2012 income statement includes results of the Ovaro mill before the sale of the business unit to RDM Ovaro S.p.A. in the second half of the year for €8.1 million in raw material costs and €7.6 million in services.

"Cost of raw materials" refers mainly to the purchase of products used to make the mixture (waste paper, wood paste, cellulose and chemicals) and for packaging. In light of the price decrease that occurred in 2013, on which more information can be found in the Directors' Report, and despite

the increase in consumption, these costs decreased from 45.9% of the value of production (“Revenues from sales” plus “Change in inventories of finished goods”) in 2012 to 45.1% in 2013.

“Service costs” decreased as a result (€79.4 million as at December 31, 2013 against €87.3 million at December 31, 2012), as well as their weighting as a percentage of value of production which decreased from 37.1% at the end of December 2012 to 36.4%.

Energy costs declined by €7.2 million (-18.36%). The decrease was due to the sale of the Ovaro business unit (€4.7 million) and a reduction in market prices for gas (-10.1%), the company’s main energy source. On the other hand, the cost of electricity reflected a decrease in the commodity’s cost which was offset by the increase in regulated cost components (+2.5%).

Costs for the “Use of third-party assets” as at December 31, 2013 were down by 6.96% compared with figures reported as at December 31, 2012.

## 5. Personnel costs

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Salaries and wages	20,434	22,665	(2,231)
Social security contributions	7,096	8,169	(1,073)
Allowance for defined-contribution plans	1,487	1,957	(470)
Incentive plans	250		250
Other costs	1,576	914	662
<b>Total</b>	<b>30,843</b>	<b>33,705</b>	<b>(2,862)</b>

The decrease in labor costs compared with the previous year was about €2.9 million (or 8.5%) of which €3.3 million was due to the cost of labor at the Ovaro mill in the first six months of 2012, i.e., before the sale of the business unit to RDM Ovaro S.p.A. The change was offset by provisions related to the restructuring plan approved during 2013 that affected Italian production units.

In light of the year’s results, the 2013 financial statements reflected a provision of €250,000 for the incentive plan intended for senior management based on phantom share performance for 2011-2013. More information can be found in Note 28, “Employee Benefits”.

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	12.31.2013	12.31.2012	Change
Executives	13	12	1
White-collars	163	168	(5)
Blue-collars	432	439	(7)
<b>Total</b>	<b>608</b>	<b>619</b>	<b>(11)</b>
Workers subject to wage guarantee fund	102	81	21
<b>Active workforce</b>	<b>506</b>	<b>538</b>	<b>(32)</b>

Average employees by category	12.31.2013	12.31.2012	Change
Executives	13	13	
White-collars	164	179	(15)
Blue-collars	438	469	(31)
<b>Total</b>	<b>615</b>	<b>661</b>	<b>(46)</b>

In 2013 the Company accessed the wage guarantee fund (*Cassa Integrazione Guadagni Straordinaria*) pursuant to Article 1 (3) of Law 223/91 due to the corporate restructuring for all the company's mills and sites. On December 27, 2013 the Labor Ministry approved the corporate restructuring program for the period March 11, 2013 to March 10, 2015 in Decree No. 77989. The restructuring plan and resulting actions will make it possible to implement the strategic industrial plan aimed at the technological upgrading of certain plants

## 6. Other operating costs

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Provisions for risks	135	27	108
Write-downs of current receivables	421	261	160
Miscellaneous operating costs	2,096	2,418	(322)
<b>Total</b>	<b>2,652</b>	<b>2,706</b>	<b>(54)</b>

The item "Other operating costs" decreased by 2.0% compared with the previous year.

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 that decreased during the year.

## 7. Depreciation and amortization

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

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Amortization of intangible assets	514	518	(4)
Depreciation of tangible assets	12,339	14,228	(1,889)
<b>Total</b>	<b>12,853</b>	<b>14,746</b>	<b>(1,893)</b>

Overall this item recorded a decrease of 12.8% going from €14.8 million at December 31, 2012 to €12.9 million at December 31, 2013 mainly due to the sale of the Ovaro plant business unit (€703,000) and the end of depreciation and amortization of certain assets.

## 8. Write-downs

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Write-downs	3,963	1,914	2,049
<b>Total</b>	<b>3,963</b>	<b>1,914</b>	<b>2,049</b>

The write-down at December 31, 2013 including a write-down of land and buildings related to the Marzabotto mill (€2.6 million), whose value was adjusted to the fair value minus sales costs (current market value), based on the evaluation of an independent expert. This amount includes asset dismantling costs of €0.7 million allocated to a special provision for risks;

In addition, there was a write-down of remaining plant assets and certain portions of buildings at the Magenta mill, which, following the final shut-down of paper production operations, had no potential future use.

Lastly, the cash pooling receivable from the subsidiary RDM UK Ltd was partially written down (€0.3 million) due to the announcement of the company’s closing.

## 9. Net financial income (expense)

	12.31.2013	12.31.2012	Change
(thousands of Euros)			
<b>Financial income</b>	<b>270</b>	<b>347</b>	<b>(77)</b>
Income from subsidiaries and associates	240	333	(93)
Other income	30	14	16
<b>Financial expense</b>	<b>(5,132)</b>	<b>(6,298)</b>	<b>1,166</b>
Interest paid to subsidiaries and associates	(458)	(609)	151
Interest paid to banks	(2,590)	(3,578)	988
Losses on derivative financial instruments	(522)	(582)	60
Financial expense on defined-benefit plans	(199)	(414)	215
Expenses, commission and other financial charges	(1,363)	(1,115)	(248)
<b>Gains (losses) on foreign exchange</b>	<b>(70)</b>	<b>(4)</b>	<b>(66)</b>
Realized gains (losses) on foreign exchange:			
Realized gains on foreign exchange	545	1,020	(475)
Realized losses on foreign exchange	(636)	(1,173)	537
Unrealized gains (losses) on foreign exchange:			
Unrealized gains on foreign exchange	23	149	(126)
Unrealized losses on foreign exchange	(2)		(2)
<b>Total</b>	<b>(4,932)</b>	<b>(5,955)</b>	<b>1,023</b>

Net financial expense showed an improvement of €1 million due mainly to the decrease in overall net debt, which was only partially offset by costs associated with greater use of receivable factoring. In addition, although interest rates remained largely stable, the Company still benefited from a reduction in them due to the mix of sources of financing. Factoring-related costs were reclassified from “Interest paid to banks” to “Expenses, commissions and other financial charges,” and the figures for 2012 were reclassified to make them comparable.

This effect was largely attributable to the decrease in interest paid to banks (-€1 million) and subsidiaries and associates (-€0.2 million) offset by the increase in expenses and other financial expenses (+€0.2 million).

The item “Financial expense on defined-benefit plans” refers to the financial component of the provision for the year solely with respect to interest costs.

## 10. Gains (losses) from investments

	12.31.2013	12.31.2012	Change
(thousands of Euros)			
<b>Income from equity investments in subsidiaries</b>	<b>3,204</b>	<b>3,428</b>	<b>(224)</b>
Dividends from Reno De Medici Arnsberg GmbH	3,000	3,000	
Dividends from Emmaus Pack S.r.l.	154	298	(144)
Dividends from Cartiera Alto Milanese S.p.A.	50	130	(80)
<b>Income from equity investments in associates</b>	<b>170</b>	<b>170</b>	
Dividends from Pac Service S.p.A.	170	170	
<b>Write-downs and charges on investments in subsidiaries and associates</b>	<b>(7,640)</b>	<b>(6,167)</b>	<b>(1,473)</b>
Write-down on RDM Blendecques S.A.S.	(2,145)	(2,230)	85
Write-down and charges on Careo S.r.l.	(23)	(560)	537
Write-down on Carta Service Friuliana S.r.l.		(16)	16
Write-down on Reno De Medici Iberica S.L.	(2,314)		(2,314)
Write-down on Manucor S.p.A.	(1,441)	(3,361)	1,920
Write-down on RDM UK Ltd	(1,717)		(1,717)
<b>Total</b>	<b>(4,266)</b>	<b>(2,569)</b>	<b>1,697</b>

Charges on investments amounted to €4.2 million, compared with €2.6 million in the previous year. The increase in charges was mainly due to higher write-downs of equity investments (€1.4 million) and lower dividends distributed by subsidiaries (-€0.2 million).

To be specific, the investment in Reno De Medici Iberica S.L. was written down for a total of €2.3 million to adjust it to fair value as indicated in Note 14. In addition, the investment in RDM UK Ltd was eliminated following the announcement in December 2013 that the subsidiary was closing (€1.7 million).

Similarly, the investment in Manucor S.p.A. (€1.4 million) was eliminated following the decision not to increase capital to cover losses reported by the company. More information can be found in Note 15.

It was again necessary to write down the investment in the subsidiary RDM Blendecques S.a.s. in the amount of €2.1 million following last year's waiver of part of the credit claimed against the associated company. Finally, following the repayment of the losses recorded by the Careo S.r.l. joint venture, charges were incurred in an amount of €23,000, as well as the use of the "Provisions for losses on investments" allocated in the previous financial period.

## 11. Taxes

The item amounted to €2.8 million and breaks down as follows:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
<b>Current taxes</b>	<b>(500)</b>	<b>(1,023)</b>	<b>523</b>
IRAP for the year	(1,318)	(1,148)	(170)
IRES for the year	(159)		(159)
Adjustment from previous years	93	16	77
Income from tax consolidation (IRES)	884	109	775
<b>Deferred taxes</b>	<b>3,343</b>	<b>50</b>	<b>3,293</b>
IRES	3,385		3,385
IRAP	(42)	50	(92)
<b>Total</b>	<b>2,843</b>	<b>(973)</b>	<b>3,816</b>

The item “IRES deferred taxes” incorporates the allocation of advance taxes in the amount of €2.5 million and the release of deferred taxes in the amount of €0.9 million. For further information, reference is made to Note 17.

The change in IRAP (Italian regional production tax) applicable to the current year was €0.2 million and was the result of higher taxable income.

IRES for the period represents the tax relating to Reno De Medici S.p.A. which takes account of the national tax consolidation result.

The item “Income from tax consolidation (IRES)” refers to the immediate recognition by the subsidiaries of the benefit resulting from the use of the previous losses of Reno De Medici S.p.A. The increase in the item is due to the increase of the IRES taxable base reported by the companies belonging to the tax consolidation scheme.

## Reconciliation between the Theoretical and Actual Tax Burden (IRES)

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

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

IRES	Taxable income	% IRES	12.31.2013
<b>(thousands of Euros)</b>			
Profit (loss) before taxes	(2,167)		
<b>Theoretical tax burden</b>		<b>27.50%</b>	<b>(596)</b>
Reversal of temporary differences from previous years	(5,571)		
Temporary differences which will be reversed in future years	8,166		
Permanent differences which will not be reversed in future years	2,463		
Total differences	5,058		
Use of previous tax losses	(2,313)		
<b>Actual tax burden</b>	<b>578</b>	<b>27.50%</b>	<b>159</b>

## Reconciliation between the Theoretical and Actual Tax Burden (IRAP)

IRAP

Taxable income % IRAP 12.31.2013

(thousands of Euros)			
Difference between value and cost of production (excluding B9, B10 c), d) and B12 and B13)	42,392		
Costs for accident insurance and 'cuneo fiscale' (tax wedge) deductions	(10,239)		
Total	32,153		
<b>Theoretical tax burden</b>		<b>3.90%</b>	<b>1,254</b>
Permanent differences owing to higher regional rates	2,338		
Reversal of temporary differences from previous years	(179)		
Permanent differences which will not be reversed in future years	(517)		
Total differences	1,642		
<b>Actual tax burden</b>	33,795	<b>3.90%</b>	<b>1,318</b>
<b>Effective tax rate</b>		<b>4.10%</b>	

"Permanent differences owing to higher regional rates" refers to the application of the higher rate of 4.82% to the net value of production in the Lazio region.

## 12. Tangible assets

Changes in intangible assets during 2013 and 2012 were as follows:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under development	Total
<b>(thousands of Euros)</b>							
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)
<b>Net book value at 12.31.2011</b>	<b>22,145</b>	<b>35,860</b>	<b>96,244</b>	<b>215</b>	<b>63</b>	<b>2,200</b>	<b>156,727</b>
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)
Depreciation for the period		(2,494)	(11,670)	(34)	(29)		(14,228)
Use 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
<b>Value at 12.31.2012</b>							
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)
<b>Net book value at 12.31.2012</b>	<b>22,145</b>	<b>33,537</b>	<b>81,643</b>	<b>83</b>	<b>24</b>	<b>2,828</b>	<b>140,260</b>

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

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under development	Total
<b>(thousands of Euros)</b>							
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)
<b>Net book value at 12.31.2012</b>	<b>22,145</b>	<b>33,537</b>	<b>81,643</b>	<b>83</b>	<b>24</b>	<b>2,828</b>	<b>140,260</b>
Increases		183	4,040	38	9	3,308	7,578
Decreases (*)		(51)	(75,369)		(1)		(75,421)
Reclassification of cost		559	524			(1,083)	
Depreciation for the period		(2,433)	(9,871)	(23)	(12)		(12,339)
Use of accumulated depreciation (*)		50	71,421		1		71,472
Write-downs	(1,120)	(1,586)	(252)				(2,958)
<b>Value at 12.31.2013</b>							
Historical cost	22,145	77,872	309,015	1,841	9,062	5,053	424,988
Accumulated depreciation/write-downs	(1,120)	(47,613)	(236,879)	(1,743)	(9,040)		(296,395)
<b>Net book value at 12.31.2013</b>	<b>21,025</b>	<b>30,259</b>	<b>72,136</b>	<b>98</b>	<b>22</b>	<b>5,053</b>	<b>128,593</b>

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

Following the sale of the Ovaro business unit in 2012, the plant's tangible 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), 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 2013 amounted to €7.6 million (€11 million in 2012).

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

- **Villa Santa Lucia** mill: upgrading and modernization of production line with a modification to the packaging line to increase hourly packaging capacity of reels;
- **Santa Giustina** mill: upgrading and modernization of the production line, with significant investments in the finishing department in order to increase cutting capacity, expansion

of the biological system, and further investments in the safety system in order to obtain OHSAS 18001 certification.

Investments at the remaining mills concerned improvements and/or upgrades to plant and machinery.

“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 of immaterial single amounts.

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

Rights (mortgages and privileges) totaling €310.1 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, 2013 amounted to €30.9 million.

The write-down at December 31, 2013 concerned land and buildings at the Marzabotto mill (€0.8 million and €1.1 million respectively), remaining plant assets and certain parts of buildings at the Magenta mill (€1 million). More information can be found in Note 8.

Disposals include the sale of the board machine at the Magenta mill in 2013 together with related replacement parts.

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

## 13. Intangible Assets

Changes in intangible assets during 2013 and 2012 were as follows:

Other intangible assets	Concessions, licenses, trademarks and similar rights	Assets under development	Total
(thousands of Euros)			
Net book value at 12.31.11	1,328	133	1,461
Increases	142	169	311
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

Other intangible assets	Concessions, licenses, trademarks and similar rights	Assets under development	Total
(thousands of Euros)			
Net book value at 12.31.12	990	259	1,249
Increases	136	215	351
Amortization for the year	(514)		(514)
Net book value at 12.31.13	612	474	1,086

“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 12.31.2012	Provision for losses on investment 12.31.2012	Net value 12.31.2012	Increase (Decrease) in investments	Historical cost 12.31.2013	Increase (Decrease) in impairment provision	Provision for losses on investment 12.31.2013	Net value 12.31.2013
	A	B	C=A+B	D	E=A+D	F	G=B+F	H=E+G
<b>(thousands of Euros)</b>								
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	(1,717)	
Cascades Grundstuck GmbH	3,464		3,464	6	3,470			3,470
Emmaus Pack S.r.l.	108		108		108			108
R.D.M. Ovaro S.p.A.	10,000		10,000		10,000			10,000
RDM Blendecques S.A.S.	2,200	(2,200)		2,145	4,345	2,145	(4,345)	
Reno De Medici Iberica S.L.	80,323	(71,193)	9,130		80,323	2,314	(73,507)	6,816
<b>Total</b>	<b>154,789</b>	<b>(75,018)</b>	<b>79,771</b>	<b>2,151</b>	<b>156,940</b>	<b>6,176</b>	<b>(81,194)</b>	<b>75,746</b>

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 2013. These data are presented in accordance with IFRS, except for Cartiera Alto Milanese S.p.A., Emmaus Pack S.r.l. and R.D.M. Ovaro S.p.A., whose data are shown in accordance with national accounting standards.

	Registered office	Direct investment share	Share capital at 12.31.2013	Shareholders' equity at 12.31.2013	Profit (loss) for the year
<b>(thousands of Euros)</b>					
Cartiera Alto Milanese S.p.A.	Milan (IT)	100%	200	1,230	168
Reno De Medici Arnsberg GmbH	Arnsberg (DE)	94%	5,113	55,559	171
Reno De Medici UK Ltd	Wednesbury (GB)	100%	11,412	(203)	1,670
Cascades Grundstuck GmbH	Arnsberg (DE)	100%	16	311	(2)
Emmaus Pack S.r.l.	Milan (IT)	51.39%	200	1,414	519
R.D.M. Ovaro S.p.A.	Milan (IT)	80%	12,500	14,154	1,439
RDM Blendecques S.A.S.	Blendecques (FR)	100%	1.037	904	(219)
Reno De Medici Iberica S.L.	Milan (IT)	100%	7,467	6,816	(1,460)

Reno De Medici Arnsberg GmbH is held directly at 94% and indirectly at 6% through Cascades Grundstück GmbH & Co. KG.

In the period just ended it was not necessary to include a risk provision for losses reported by the subsidiary RDM Blendecques S.A.S., given that following the waiver of a part of the receivables (€2.1 million) from the investee, the subsidiary showed shareholders' equity equal to €904,000 in its separate financial statement as at December 31, 2013.

In view of the different carrying amounts of the investments compared to the pro-rata value of shareholders' equity, the company conducted an impairment test on the value of the investments that confirmed their carrying value with the exception of Reno De Medici S.L., which was written down by €2.3 million.

In addition, the investment in RDM UK Ltd was eliminated following the announcement in December 2013 that the subsidiary was closing (€1.7 million) as already indicated in Note 10.

## 15. Investments in Associates, Joint Ventures and other companies

The table below shows equity investments in associates, joint ventures and other companies by investment:

	Registered office	Investment share	Book value 12.31.2012	Increases (decreases)	Book value 12.31.2013
<b>(thousands of Euros)</b>					
Careo S.r.l.	Milan (IT)	70%			
Manucor S.p.A.	Milan (IT)	22.75%	1,441	(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
<b>Total investments in associates and joint ventures</b>			<b>1,888</b>	<b>(1,441)</b>	<b>447</b>
C.I.A.C. S.c.r.l.	Valpenga (TO) - Italia	Consortium share	1		1
Cartonnerie Tunisienne S.A.	Les Berges Du Lac (Tunisi)	5.274%	121		121
Comieco	Milano - Italia	Consortium share	39	(9)	30
Conai	Milano - Italia	Consortium share	23		23
Consorzio Filiera Carta	Isola del Liri (Fr) - Italia	Consortium share	5	2	7
Energymont S.p.A.	Tolmezzo - Italia	2.020%			
Gas Internsive S.c.r.l.	Milano - Italia	Consortium share	1		1
Idroenergia S.c.r.l.	Aosta - Italia	Consortium share	1		1
Realty Vailog S.p.A.	Milano - Italia	0.327%			
<b>Total investments in other companies</b>			<b>191</b>	<b>(7)</b>	<b>184</b>
<b>Total investments</b>			<b>2,079</b>	<b>(1,448)</b>	<b>631</b>

The table below summarizes the key figures from the statement of financial position and the income statement of Careo S.r.l., Pac Service S.p.A., Carta Service Friulana S.r.l. and ZAR S.r.l. as at December 31, 2013, approved by the respective boards of directors:

	Careo S.r.l.	Pac Service S.p.A.	Carta Service Friulana S.r.l.
<b>(thousands of Euros)</b>			
Total assets	10,299	14	175
Shareholders' Equity	21	6	47
Other liabilities	10,278	8	128
Value of production	14,465	17	-
Profit (loss) for the year	(79)	1	(5)

As at the date of closing these financial statements, the figures relating to the statement of financial position and statement of income of Manucor S.p.A. as at December 31, 2013 are not available.

Manucor S.p.A., which had reported losses in 2012 greater than one third of capital, with the resulting need to take action pursuant to Article 2446 of the Italian Civil Code, reported additional losses in 2013 resulting from the interim situations during the year. As at the date of closing these financial statements, the figures relating to the financial statements of Manucor S.p.A. as at December 31, 2013 are not available. The joint venture's Board of Directors then called an extraordinary shareholders' meeting to reduce and reconstitute share capital through a capital increase of up to €15 million. The meeting called to take the above measures was postponed to April 08, 2014. Although it approves the capital increase, Reno De Medici does not believe it will participate in the subscription transaction wishing instead to concentrate its resources on the development of core businesses. Thus, the equity investment was totally written down.

Investments in other companies, mainly comprising the investment in Cartonnerie Tunisienne S.p.A. of €0.1 million and other minor items relating to the investments in consortia, are recorded at cost adjusted for any impairment as their fair value cannot be reliably measured.

## 16. Financial assets held for sale

The item included non-current investments in other companies as listed below:

	Registered office	Investment share	Book value 12.31.2011	Increases (decreases)	Book value 12.31.2012
<b>(thousands of Euros)</b>					
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 Intensive S.c.r.l.	Milan - Italy	Consortium share	1		1
Idroenergia S.c.r.l.	Aosta - Italy	Consortium share	1		1
<b>Total financial assets</b>			<b>195</b>	<b>(4)</b>	<b>191</b>

These investments, mainly comprising Cartonnerie Tunisienne S.A., were reclassified during the year under the item "Investments in Associates, Joint Ventures and other companies", for the purposes of a better representation.

## 17. Deferred tax assets

The balance of net deferred taxes at year-end is shown below:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Non-current assets	2,632		2,632
<b>Total deferred tax assets</b>	<b>2,632</b>		<b>2,632</b>

The table below is a summary of the calculation of deferred tax assets and deferred tax liabilities from temporary differences as at December 31, 2013:

Taxes	12.31.2013			12.31.2012		
	Temporary differences	Tax %	Tax effect	Temporary differences	Tax %	Tax effect
(thousands of Euros)						
<b>Recognized deferred tax assets</b>	<b>36,232</b>		<b>9,836</b>	<b>30,537</b>		<b>7,761</b>
Tax losses to carry forward	28,634	27.50%	7,874	23,136	27.50%	6,363
Write-downs for extended impairment		3.90%		1,820	3.90%	71
Inventory write-downs	470	3.90%	18	626	3.90%	24
Provisions for future charges (IRAP)	30	3.90%	1	209	3.90%	8
Provisions for future charges (IRES)	2,850	27.50%	784	237	27.50%	65
Other temporary differences (IRAP)	42	3.90%	2	42	3.90%	2
Other temporary differences (IRES)	788	27.50%	217	1,128	27.50%	310
Valuation of derivatives with hedge accounting	270	27.50%	74	776	27.50%	213
Non-deductible interest expense	3,148	27.50%	866	2,563	27.50%	705
<b>Recognized deferred tax liabilities</b>	<b>23,137</b>		<b>7,204</b>	<b>27,065</b>		<b>8,334</b>
Depreciation in excess of amount allowed for tax purposes	21,565	31.40%	6,772	22,856	31.40%	7,177
Capital gains payment in installments		27.50%		948	27.50%	261
Other temporary differences (IRES)	49	27.50%	13	49	27.50%	13
Misalignment of TFR for IFRS application	1,523	27.50%	419	3,212	27.50%	883
<b>Net recognized deferred tax (assets) liabilities</b>			<b>(2,632)</b>			<b>573</b>
<b>Unrecognized deferred tax assets</b>	<b>19,060</b>		<b>5,356</b>	<b>28,938</b>		<b>7,958</b>
Write-downs for extended impairment	2,959	31.40%	929	2,211	27.50%	608
Inventory write-downs	470	27.50%	129	626	27.50%	172
Bad and doubtful receivables	1,465	27.50%	403	1,389	27.50%	382
Provisions for future charges (IRES)	1,067	27.50%	293	2,137	27.50%	588
Non-deductible interest expense		27.50%		3,619	27.50%	995
Tax losses to carry forward	13,099	27.50%	3,602	17,837	27.50%	4,905
Tax loss for the year		27.50%	-	1,119	27.50%	308
<b>Unrecognized deferred tax assets</b>			<b>5,356</b>			<b>7,958</b>

Tax assets and liabilities for deferred taxes are offset when permitted by law. Following the recording of deferred IRES tax assets (€2.5 million) and the release of IRES deferred tax liabilities (€0.9 million) in the year ending a receivable for net deferred tax assets of €2.6 million was recorded. As at December 31, 2012, a payable of €0.6 million for net deferred tax liabilities was recorded.

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 deficit that emerged during the 1998 merger and the effects of the transition to IFRS. Deferred tax liabilities therefore represent the future tax expense that will be incurred by the Company as a consequence of the fact that a portion of annually accounted depreciation will not be deductible from taxable income calculated for IRES and IRAP purposes.

Deferred tax assets are recognized where it is probable that the Company will have taxable income in the future, including the deferral of taxable temporary differences to future years, 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 and deemed to be recoverable from future taxable income identified in the Company's business plans. This is possible because Decree Law no. 98 of July 6, 2011 (the so-called "2011 Emergency Budget") allows tax losses to be carried forward for an unlimited time.

Previous tax losses of the Company in its role as the tax-consolidating company stood at €41.7 million as at December 31, 2013. This amount includes, on the one side, the increased losses resulting from the application for the repayment of IRES following the failure to deduct IRAP relating to labor costs (Article 2 of Legislative Decree No. 201 of December 6, 2011), and on the other side, the use of losses under the scope of tax consolidation and the definition of the 2007 assessment settlement of the tax inspection described in the Directors' Report, which should be referred to.

## 18. Other Current and Non-Current Receivables

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

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Guarantee deposits	439	280	159
Other receivables	16	16	
<b>Non-current receivables</b>	<b>455</b>	<b>296</b>	<b>159</b>
Tax receivables	217	355	(138)
Miscellaneous receivables	7,410	616	6,794
Accrued income	329	332	(3)
Financial receivables	115	355	(240)
<b>Current receivables</b>	<b>8,071</b>	<b>1,658</b>	<b>6,413</b>
<b>Total</b>	<b>8,526</b>	<b>1,954</b>	<b>6,572</b>

Non-current miscellaneous receivables are receivables from companies in liquidation as well as a deposit in favor of a factoring company (€0.3 million as at December 31, 2013 compared to €0.1 million as at December 31, 2012).

The current portion of "Tax receivables" relates mainly to tax credits.

The current portion of "Miscellaneous receivables" includes the amount for the allocation of energy efficiency certificates (€4.3 million), the monetary receivable for being assigned the qualification of "new entrant" in the ETS/2 system [emission trading system] (€0.9 million) and the receivable from the purchaser of Magenta's board machine which was sold during the year just ended (€0.8 million). This item also includes a second deposit made in favor of a factoring company (€0.9 million as at December 31, 2013 compared to €0.3 million as at December 31, 2012) and receivables from social security authorities for advances made during recourse to the wage guarantee fund (€0.5 million compared to €0.1 million in the previous year), which were partially offset by the change in the INAIL receivable (-€0.2 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 with recourse.

## 19. Inventories

The table below provides a breakdown of inventories as at December 31, 2013:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Raw and ancillary materials and consumables	13,566	16,150	(2,584)
Provisions for obsolescence	(470)	(626)	156
Finished goods and goods for resale	25,596	23,238	2,358
<b>Total</b>	<b>38,692</b>	<b>38,762</b>	<b>(70)</b>

Looking at individual items, the reduction in inventories of “raw and ancillary materials and consumables” was mainly due to the decrease in purchase prices and reduction in cover-related waste paper at the Villa Santa Lucia mill following the investment made in 2012. In addition, this item reflected the sale of replacement parts for Magenta’s board machine (€1.1 million).

There was an increase in physical inventories of “Finished goods and goods for resale.”

## 20. Trade receivables

The table below shows the changes in trade receivables from third parties, which amounted to €28.3 million as at December 31, 2013:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Trade receivables	28,319	30,473	(2,154)
<b>Current trade receivables</b>	<b>28,319</b>	<b>30,473</b>	<b>(2,154)</b>

The decrease in receivables compared to the previous year was primarily due to the development of the non-recourse factoring program (€22.4 million compared to €20.5 million as at December 31, 2012). The item is stated net of €2.5 million of provisions for bad and doubtful receivables. The table below sets out the changes for the year in those provisions:

	12.31.2012	Provisions	Drawings	12.31.2013
<b>(thousands of Euros)</b>				
Provisions for bad and doubtful receivables	2,704	421	(658)	2,467
<b>Total</b>	<b>2,704</b>	<b>421</b>	<b>(658)</b>	<b>2,467</b>

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

	12.31.2013	12.31.2012
(thousands of Euros)		
Italy	20,430	22,793
EU	840	2,825
Rest of world	7,049	4,855
<b>Total</b>	<b>28,319</b>	<b>30,473</b>

## 21. Receivables from Group Companies

“Receivables from group companies”, equal to €16.7 million, break down as follows:

	12.31.2013	12.31.2012	Change
(thousands of Euros)			
Receivables from subsidiaries	16,185	22,804	(6,619)
<b>Total receivables from subsidiaries</b>	<b>16,185</b>	<b>22,804</b>	<b>(6,619)</b>
Receivables from joint ventures	501	650	(149)
<b>Total receivables from joint ventures</b>	<b>501</b>	<b>650</b>	<b>(149)</b>
<b>Total receivables from Group companies</b>	<b>16,686</b>	<b>23,454</b>	<b>(6,768)</b>

“Receivables from subsidiaries”, equal to €16.2 million, break down as follows:

	12.31.2013	12.31.2012	Change
(thousands of Euros)			
Cartiera Alto Milanese S.p.A.	5,942	5,947	(5)
Emmaus Pack S.r.l.	5,927	6,782	(855)
Reno De Medici Iberica S.L.	964	2,331	(1,367)
RDM Ovaro S.p.A.	819	1,137	(318)
Reno De Medici Arnsberg GmbH	667	3,761	(3,094)
RDM Blendecques S.A.S.	1,832	2,562	(730)
Reno De Medici UK Ltd	34	284	(250)
<b>Total</b>	<b>16,185</b>	<b>22,804</b>	<b>(6,619)</b>

This item decreased due to the trend of collections in 2013 and the reduction in revenues to certain subsidiaries (Reno De Medici Iberica S.L.).

Receivables from subsidiaries include €969,000 arising from the tax consolidation scheme, of which €656,000 is for RDM Ovaro S.p.A., €215,000 for Emmaus Pack S.r.l. and €98,000 for Cartiera Alto Milanese S.p.A.

“Receivables from joint ventures” break down as follows:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Careo S.r.l.	374	523	(149)
Carta Service Friuliana S.r.l.	127	127	
<b>Total receivables from joint ventures</b>	<b>501</b>	<b>650</b>	<b>(149)</b>

These receivables, which result from commercial relations and relations connected to the provision of services by the Company to its subsidiaries and joint ventures, are settled under normal market conditions.

Receivables from Careo S.r.l. include €151,000 arising from participation in the tax consolidation scheme.

## 22. Other receivables from Group Companies

These receivables relate to the cash-pooling arrangement with Group companies:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Reno De Medici UK Ltd	664	130	534
RDM Iberica S.L.	560		560
Emmaus Pack S.r.l.	1,467	1,213	254
RDM Blendecques S.A.S.	1,364	2,837	(1,473)
<b>Total receivables from subsidiaries</b>	<b>4,055</b>	<b>4,180</b>	<b>(125)</b>
Zar S.r.l.	90	90	
<b>Total receivables from joint ventures</b>	<b>90</b>	<b>90</b>	
<b>Total receivables from Group companies</b>	<b>4,145</b>	<b>4,270</b>	<b>(125)</b>

## 23. Net financial position

The table below provides a breakdown of the net financial position as at December 31, 2013 and December 31, 2012:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Cash	13	11	2
Funds available from banks	2,265	2,618	(353)
<b>A. Cash and cash equivalents</b>	<b>2,278</b>	<b>2,629</b>	<b>(351)</b>
Other receivables from Group Companies	4,145	4,270	(125)
Receivables from other lenders	115	355	(240)
<b>B. Current financial receivables</b>	<b>4,260</b>	<b>4,625</b>	<b>(365)</b>
<i>1. Current payables to banks</i>	<i>22,362</i>	<i>26,015</i>	<i>(3,653)</i>
<i>2. Current portion of medium- and long-term loans</i>	<i>12,275</i>	<i>11,881</i>	<i>394</i>
<i>3. Payables to other lenders</i>	<i>94</i>	<i>52</i>	<i>42</i>
Payables to banks and other lenders (1+2+3)	34,731	37,948	(3,217)
Other payables to Group Companies	22,045	13,043	9,002
Derivatives - current financial liabilities	389	580	(191)
<b>C. Current financial debt</b>	<b>57,165</b>	<b>51,571</b>	<b>5,594</b>
<b>D. Net current financial debt (C - A - B)</b>	<b>50,627</b>	<b>44,317</b>	<b>6,310</b>
Payables to banks and other lenders	18,620	30,895	(12,275)
Financial payables to subsidiaries	714	1,429	(715)
Derivatives - non-current financial liabilities	281	703	(422)
<b>E. Non-current financial debt</b>	<b>19,615</b>	<b>33,027</b>	<b>(13,412)</b>
<b>F. Net financial debt (D+E)</b>	<b>70,242</b>	<b>77,344</b>	<b>(7,102)</b>

The Company had net financial debt of €70.2 million as at December 31, 2013 (compared with €77.3 million as at December 31, 2012). The decrease (€7.1 million) was mainly attributable to the repayment of portions of a medium- to long-term loan (€12.2 million), which was partially offset by the containment of working capital through greater use of non-recourse factoring and rigorous credit management, and by collections from the retirement of non-productive plant assets.

Short-term payables to banks, equal to €22.4 million, consist of utilization of commercial facilities made up mainly of facilities for the sale of receivables from customers.

“Other receivables from Group companies” and “Other payables from Group companies” consist of financial balances resulting from cash-pooling transactions carried out as part of the Group’s centralized financial management.

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

	within 12 months	over 12 months	over 60 months	total
<b>(thousands of Euros)</b>				
M.I.C.A. - due February 13, 2017	148	477		625
M.I.C.A. - due October 16, 2014	154			154
San Paolo Imi - due April 6, 2016	3,276	4,914		8,190
San Paolo Imi fin.pool - tranche A - due April 6, 2016	6,280	9,421		15,701
San Paolo Imi fin.pool - tranche B - due April 6, 2016	2,000	3,000		5,000
Banca Pop. Emilia Romagna - due May 15, 2016	620	930		1,550
<b>Total nominal debt</b>	<b>12,478</b>	<b>18,742</b>		<b>31,220</b>
<b>Amortized cost effect</b>	<b>(203)</b>	<b>(122)</b>		<b>(325)</b>
<b>Total debt using amortized cost method</b>	<b>12,275</b>	<b>18,620</b>		<b>30,895</b>

RDM is bound by certain restrictions and commitments with tolerance thresholds for the syndicated loan that are normal for loans of this nature; among these are limitations on assuming additional debt, distributing dividends, providing collateral (a negative pledge), disposing of core assets, and restrictions on making investments and 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 financial parameters are calculated semi-annually using results from the Group’s consolidated financial statements and the Group’s interim consolidated reports starting on December 31, 2006, and the semi-annual 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, 2013 the Group was in compliance with the financial parameters.

In October 2009, the renegotiation with IntesaSanpaolo and Unicredit of loans originally executed in 2006 was concluded with the signing of the related Amending Agreement. Among other things, the new terms provide for a reformulation of debt servicing, with a two-year grace period 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 installments, 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. In December 2013 the major shareholder gave notice that the put option was no longer valid.

In 2013 principal repayments of €12.2 million were made.

In terms of collateral, the Parent Company loan agreement requires, inter alia, RDM to provide mortgages on the Marzabotto, Magenta, Ovaro, Santa Giustina and Villa Santa Lucia mills, in the total amount of €120 million. This collateral is related to the syndicated loan.

Special liens on the Marzabotto, Magenta, Santa Giustina and Villa Santa Lucia mills' plant and machinery are given as collateral, in the total amount of €120 million.

A variable-rate loan agreement was entered into with Banca Popolare dell'Emilia Romagna on April 13, 2006 in the amount of €6.2 million. The loan falls due on May 15, 2016 and is repayable in semi-annual installments. In addition, a variable-rate loan agreement was entered into 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, 2013. More information on the derivative instruments outstanding as at December 31, 2013 can be found in Note 25.

## 24. Shareholders' Equity

Changes in shareholders' equity during 2013 are set out in the following table:

Description	Shareholders' equity at 12.31.2012	Changes in the year Allocation of the profit (*)	Actuarial gain (loss)	Other reserves	Hedge accounting	Profit (loss) for the year	Shareholders' equity at 12.31.2013
<b>(thousands of Euros)</b>							
Share capital	185,122						185,122
Legal reserve	408						408
Other reserves:							
- Extraordinary reserve	1,150						1,150
- Hedging reserve	(562)				367		(195)
- Ovaro sale reserve	3,105						3,105
- Reserve for actuarial gain (loss)	(1,630)		372				(1,258)
Retained profits (losses)	(32,690)	(9,932)					(42,622)
Profit (loss) for the year	(9,932)	9,932				677	677
<b>Total</b>	<b>144,971</b>		<b>372</b>		<b>367</b>	<b>677</b>	<b>146,387</b>

The Shareholders' Meeting of April 29, 2013 resolved to carry forward the 2012 profit of €9,931,718.51 of the Company.

The table below shows the number of outstanding shares as at December 31, 2013 and December 31, 2012:

	12.31.2013	12.31.2012	Change
Shares issued	377,800,994	377,800,994	
Treasury Shares			
<b>Total shares outstanding</b>	<b>377,800,994</b>	<b>377,800,994</b>	

In accordance with article 5 of the Company's By-Laws, holders of savings shares may convert such shares to ordinary shares in February and September each year.

In 2013, 31,866 savings shares were converted to ordinary shares. As a result of this, the share capital as at December 31, 2013, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,505,853	184,977,867.97
Savings shares	295,141	144,619.09
<b>Total</b>	<b>377,800,994</b>	<b>185,122,487.06</b>

It is noted, as described in further detail in the Directors' Report, that the Extraordinary Shareholders' meeting held on September 2, 2013 resolved to eliminate the nominal value of shares.

On February 1-28, 2014, 4,017 savings shares were converted to ordinary shares with dividend entitlement as of January 1, 2013.

RDM's By-Laws state that if during any one financial year savings shareholders are awarded a dividend which is less than 5% of the value of €0.49, then the difference is added to the preferred dividend in the subsequent two years. No dividends were awarded in 2012 and 2013.

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 12.31.2013	Possibilities of use (1)	Available portion	Summary of use in the years 2012 - 2011 - 2010  to cover losses for other purposes
<b>(thousands of Euros)</b>				
Share capital	185,122			
Legal reserve	408	B		
Other reserves:				
- Extraordinary reserve	1,150	A,B,C	1,150	
- Hedging reserve	(195)			
- Reserve for sale of Ovaro business unit	3,105			
- Reserve for actuarial gain (loss)	(1,258)			
Previous retained profits (losses)	(42,622)			
<b>Total</b>	<b>145,710</b>		<b>1,150</b>	
Non-distributable portion				
<b>Distributable portion remaining</b>			<b>1,150</b>	
(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:

	12.31.2013			12.31.2012		
	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
<b>(thousands of Euros)</b>						
<i>Change in fair value of cash flow hedges</i>	506	(139)	367	194	(53)	141
<i>Actuarial gain (loss)</i>	372		372	(1,508)		(1,508)

## 25. Derivative instruments

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as of December 31, 2013.

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Derivative financial instruments (hedge accounting)	227	622	(395)
Derivative financial instruments (no hedge accounting)	54	81	(27)
<b>Non-current liabilities</b>	<b>281</b>	<b>703</b>	<b>(422)</b>
Derivative financial instruments (hedge accounting)	361	503	(142)
Derivative financial instruments (no hedge accounting)	28	77	(49)
<b>Current liabilities</b>	<b>389</b>	<b>580</b>	<b>(191)</b>
<b>Total</b>	<b>670</b>	<b>1,283</b>	<b>(613)</b>

As at December 31, 2013, the derivative financial instruments represented by interest rates swaps had a fair value of -€670,000.

The table below shows the main features of the derivative financial instruments outstanding as of December 31, 2013:

Company	Counter-party	Currency	Due date	Notional value (€/000)	Interest	Interest payment	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	04.06.2016	7,500	4.11% fixed	semi-annual	(392)
Euribor 6m							
Reno De Medici S.p.A.	Unicredit Banca d'Impresa S.p.A.	Eur	04.06.2016	3,750	4.11% fixed	semi-annual	(196)
Euribor 6m							
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	Eur	05.15.2016	1,550	4.15% fixed	semi-annual	(82)
Euribor 6m							
				<b>12,800</b>	<b>670</b>		

## 26. Other Current and Non-Current Payables

The table below provides a breakdown of other current and non-current payables:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Deferred income	234	287	(53)
Miscellaneous payables		1,204	(1,204)
<b>Other non-current payables</b>	<b>234</b>	<b>1,491</b>	<b>(1,257)</b>
Payables to personnel	2,026	1,476	550
Payables to social security authorities	2,090	2,114	(24)
Tax payables	1,152	837	315
Miscellaneous payables	303	198	105
Company bodies	681	646	35
Accrued expenses and deferred income	52	52	
<b>Other current payables</b>	<b>6,305</b>	<b>5,323</b>	<b>982</b>
<b>Total other payables</b>	<b>6,539</b>	<b>6,814</b>	<b>(275)</b>

As at December 31, 2013 the non-current portion of “Other payables” totaled €0.2 million, a decrease of €1.3 million mainly following allocation to the income statement of the payment made by Cascades S.A.S. for the sale of the virgin fiber list in 2008 as a part of the business combination (€1.2 million). This income was posted to the income statement since the announcement by Cascades S.A.S. of the final termination of the validity of the put option eliminated the “continuing managerial involvement” as defined in IAS 18.

The non-current portion of “Deferred income” relates to the non-current portion of a grant totaling €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 current portion of “Other payables” as at December 31, 2013 stood at €6.3 million compared with €5.3 million for the previous year. The change was due to an increase in the year-end VAT payable and other payables relating to deferred compensation of employees.

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 allocated to employees in December and paid in January 2014, and to provisions for social security contributions due on deferred compensation (employee leave, additional months’ salaries paid as a bonus, and overtime). This item was in line with the previous year.

“Tax payables” relate to VAT payables, to withholding tax due on remuneration paid to employees in December, and to miscellaneous tax payables. The above increase was due mainly to the VAT debit position in December 2013.

The current portion of “Miscellaneous payables” rose mainly as a result of the allocation of payables to local authorities for taxes.

“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:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Non-current liabilities		786	(786)
<b>Total deferred tax</b>		<b>786</b>	<b>(786)</b>

See Note 17 for details on their recognition.

## 28. Employee benefits

The table below shows a comparison between the situation as at December 31, 2012 and December 31, 2013:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Employee benefits - TFR	8,950	9,767	(817)
<b>Non-current employee benefits</b>	<b>8,950</b>	<b>9,767</b>	<b>(817)</b>
Incentive plans	250		250
Employee benefits - TFR	268	25	243
<b>Current employee benefits</b>	<b>518</b>	<b>25</b>	<b>493</b>
<b>Total</b>	<b>9,468</b>	<b>9,792</b>	<b>(324)</b>

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, 2013, 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 for employees being assessed (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 employees being assessed;
- 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 for the assessment were as follows:

	Italy
Annual discount rate	2.50%
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:

	Employee benefits
(thousands of Euros)	
Actuarial value on employee benefits at 12.31.2012	9,767
Interest cost	199
Benefits paid	(644)
Actuarial gains/losses	(372)
Actuarial value of employee benefits at 12.31.2013	8,950

### *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's beneficiaries are certain managers of the RDM Group, and it 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.

Moreover, the 2013 financial statements contain the provision of €250,000 for the plan since one of the targets was met despite the deterioration in the overall current and future macroeconomic environment.

## 29. Non-Current Provisions for Risks and Charges

The balance as at December 31, 2013 was as follows:

	12.31.2012	Other changes	Provisions	Drawings	12.31.2013
<b>(thousands of Euros)</b>					
Provisions for future charges	3,511	(92)	2,404	(1,017)	4,806
Provisions for losses on investments	174			(174)	
<b>Total</b>	<b>3,685</b>	<b>(92)</b>	<b>2,404</b>	<b>(1,191)</b>	<b>4,806</b>

With reference to "Provisions for future charges", the drawings for the period, equal to €1 million, are mainly attributable to the drawing for redundancy costs (€0.8 million), and to the settlement of a number of disputes. The provision for the year, equal to €2.4 million, refers mainly to the costs deriving from redundancy procedures and to provisions needed to cover costs of future staff layoffs totaling €1.5 million. In addition, costs were allocated for the dismantling of assets in buildings at the Marzabotto mill totaling €0.7 million. Other changes included the release of a portion of the excess provision following the settlement of a pending dispute.

The drawing of the “Provision for losses on investments” is related to the recapitalization of the equity investment in the joint venture Careo S.r.l. following the legal obligation for hedging, already commented on in Note 10.

### 30. Trade payables

“Trade payables” to third-party suppliers were €58.3 million (€70.8 million as at December 31, 2012) 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.

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Trade payables	58,336	70,805	(12,469)
<b>Total current trade payables</b>	<b>58,336</b>	<b>70,805</b>	<b>(12,469)</b>

The net decrease in payables from the previous year was mainly due to the decline in production costs (raw materials and services) and the significant deterioration in the terms of payment toward some energy suppliers.

### 31. Payables to Group Companies

Payables to Group companies arise from commercial relations with Group companies and are settled under normal market conditions.

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Payables to subsidiaries	494	122	372
<b>Total payables to subsidiaries</b>	<b>494</b>	<b>122</b>	<b>372</b>
Payables to associates and joint ventures	3,841	3,529	312
<b>Total payables to associates and joint ventures</b>	<b>3,841</b>	<b>3,529</b>	<b>312</b>
<b>Total payables to Group companies</b>	<b>4,335</b>	<b>3,651</b>	<b>684</b>

The table below shows a breakdown of current payables to subsidiaries:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Cartiera Alto Milanese S.p.A.		7	(7)
Emmaus Pack S.r.l.	25	58	(33)
Reno De Medici Iberica S.L.	42	57	(15)
R.D.M. Ovaro S.p.A.	427		427
<b>Total payables to subsidiaries</b>	<b>494</b>	<b>122</b>	<b>372</b>

“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:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Pac Service S.p.A.	152	138	14
<b>Total payables to associates</b>	<b>152</b>	<b>138</b>	<b>14</b>
Careo S.r.l.	3,295	3,260	35
Zar S.r.l.	267	131	136
Manucor S.p.A.	127		127
<b>Total payables to joint ventures</b>	<b>3,689</b>	<b>3,391</b>	<b>298</b>
<b>Total payables to associates and joint ventures</b>	<b>3,841</b>	<b>3,529</b>	<b>312</b>

## 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:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Reno De Medici Arnsberg GmbH	714	1,429	(715)
<b>Total other non-current payables to subsidiaries</b>	<b>714</b>	<b>1,429</b>	<b>(715)</b>
<b>Total other non-current payables to Group companies</b>	<b>714</b>	<b>1,429</b>	<b>(715)</b>

The non-current portion refers to a loan supplied by Reno De Medici Arnsberg GmbH for a sum of €0.7 million.

The breakdown of the current portion of payables of a financial nature is given below:

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
Cartiera Alto Milanese S.p.A.	1,705	1,261	444
Reno De Medici Arnsberg GmbH	12,130	6,772	5,358
RDM Blendecques S.A.S.	610	1,365	(755)
R.D.M. Ovaro S.p.A.	6,985	983	6,002
Reno De Medici Iberica S.L.		542	(542)
<b>Total other current payables to subsidiaries</b>	<b>21,430</b>	<b>10,923</b>	<b>10,507</b>
Careo S.r.l.	615	2,120	(1,505)
<b>Total other current payables to joint ventures</b>	<b>615</b>	<b>2,120</b>	<b>(1,505)</b>
<b>Total other current payables to Group companies</b>	<b>22,045</b>	<b>13,043</b>	<b>9,002</b>

### 33. Current taxes

As at December 31, 2013, this item represents the amount payable to the authorities for IRAP and IRES incurred during the year, net of payments on account.

	12.31.2013	12.31.2012	Change
<b>(thousands of Euros)</b>			
IRES payables	383		383
IRAP payables	300	12	288
<b>Total current taxes</b>	<b>683</b>	<b>12</b>	<b>671</b>

### 34. Non-Recurring Transactions and Abnormal and/or Unusual 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.

Non-recurring income equal to about €1.2 million refers to the payment for the sale of the virgin fiber client list to Cascades S.A.S. in 2008 (€1.2 million) following the business combination with the Cascades Group. This amount was recorded in revenues at the end of the year since the major shareholder gave notice in December 2013 of the final termination of the validity of the put option

as defined in the Combination Agreement thereby eliminating the “continuing managerial involvement” as defined by IAS 18.

Other revenues include the value of the ‘Energy Efficiency Certificates’ or ‘TEE’ (the so called White Certificates) accrued within the energy savings projects implemented in the Santa Giustina and Ovaro mills. Such certificates accrue in the 5-year period 2010-2014 (2011-2012 for Ovaro) based on the energy savings that have been actually achieved; the share posted in the 2013 Interim Management Reports are relevant to 2010, 2011 and 2012.

With the exception of the above, 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 or Transactions Deriving from Abnormal and/or Unusual Transactions**

In 2013, 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 collateral 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 collateral given to third parties include:

- sureties of €4.1 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- a surety of €421,000 issued in favor of the Region of Lazio regarding the landfill site at the Villa Santa Lucia (FR) mill;
- sureties of €2.3 million issued to the Comieco consortium;

- sureties of €69,000 issued in favor of the customs authorities;
- a surety of €90,000 issued in favor of the Region of Lombardy;
- a surety of €108,000 issued in connection with property leases;
- a surety of €750,000 issued in favor of Valli S.p.A.;
- a surety of €120,000 issued in favor of Stogit S.p.A.;
- sureties of €228 thousand issued in favor of Terna S.p.A.;
- sureties of €268 thousand issued in favor of the Revenue Agency for Carta Service Friulana S.r.l.;
- a surety of €268 thousand issued in favor of Gestore Servizi Energetici “GSE”;
- a surety of €1.8 million issued in favor of Andritz.

There are mortgages totaling €11.7 million on the Ovaro (UD) mill to secure two loans provided to the subsidiary R.D.M. Ovaro S.p.A. by Banca Mediocredito del Friuli Venezia Giulia S.p.A. (€10.4 million) and Finanziaria Regionale Friuli Venezia Giulia S.p.A. (€1.3 million) that have a remaining balance of €8.8 million at December 31, 2013.

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”).

In December 2013, Reno De Medici received notice from Cascades Inc., partly on behalf of Cascades S.A.S., the largest shareholder of the Company with a 57.612% stake in RDM, regarding the final termination of the validity of the put option.

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.

It is recalled that Reno De Medici approved the increase in the capital of Mancur, however it resolved not to underwrite it in order to concentrate on its core business.

## 36. Related-Party Transactions

For details of the transactions, refer to the paragraph “Main transactions of the Reno De Medici Group in 2013” 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 December 31, 2013” 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, 2013 with the situation as at December 31, 2012, 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.

	12.31.2013		12.31.2012	
	Book value	Fair value	Book value	Fair value
(thousands of Euros)				
<b>Cash and cash equivalents</b>	<b>2,278</b>	<b>2,278</b>	<b>2,629</b>	<b>2,629</b>
<b>Loans and receivables</b>	<b>57,676</b>	<b>57,676</b>	<b>60,150</b>	<b>60,150</b>
Trade receivables	43,885	43,885	53,927	53,927
Other receivables from associates and joint ventures	4,145	4,145	4,270	4,270
Other receivables	9,647	9,647	1,953	1,953
<b>Available-for-sale financial assets</b>	<b>0</b>	<b>0</b>	<b>191</b>	<b>191</b>
<b>Financial liabilities at amortized cost</b>	<b>(145,226)</b>	<b>(145,226)</b>	<b>(164,531)</b>	<b>(168,147)</b>
Unsecured medium- and long-term bank loans at amortized cost	(800)	(834)	(800)	(831)
Secured medium- and long-term bank loans at amortized cost	(30,225)	(31,901)	(42,155)	(45,569)
Short-term bank loans as use of commercial facilities	(22,232)	(22,232)	(25,836)	(25,836)
Trade payables	(62,671)	(62,671)	(74,456)	(74,456)
Other payables to Group companies	(22,759)	(22,759)	(14,471)	(14,642)
Other payables	(6,539)	(6,539)	(6,813)	(6,813)
<b>Financial liabilities at fair value through profit and loss</b>	<b>(82)</b>	<b>(82)</b>	<b>(158)</b>	<b>(158)</b>
<b>Hedging derivatives</b>	<b>(588)</b>	<b>(588)</b>	<b>(1,125)</b>	<b>(1,125)</b>
	<b>(85,942)</b>	<b>(85,942)</b>	<b>(102,844)</b>	<b>(106,460)</b>
<b>Unrecognized profits (losses)</b>	<b>(1,710)</b>		<b>(3,616)</b>	

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		12.31.2013	Fair value as at the date of the financial statements based on:		
			Level 1	Level 2	Level 3
<b>(thousands of Euros)</b>					
Derivative instruments on interest rates	Non-current derivative instruments	<b>281</b>		281	
Derivative instruments on interest rates	Current derivative instruments	<b>389</b>		389	

As at December 31, 2013, 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, 2013 and December 31, 2012.

Future flows were discounted on the basis of the same euro yield curve as at December 31, 2013 and December 31, 2012.

## Financial Assets

The table below provides a breakdown of financial assets:

	12.31.2013	12.31.2012
(thousands of Euros)		
<b>Non-current financial assets</b>		
<i>Non-derivative financial assets</i>	0	191
Available-for-sale financial assets	0	191
<b>Total</b>	<b>0</b>	<b>191</b>
<b>Current financial assets</b>		
Non-derivative financial assets	2,278	2,629
Cash pooling current account	4,145	4,270
<b>Total</b>	<b>6,423</b>	<b>6,899</b>

## Financial Liabilities

The table below provides a breakdown of financial liabilities:

	12.31.2013	12.31.2012
(thousands of Euros)		
<b>Non-current liabilities</b>		
<i>Non-derivative liabilities</i>	<b>(19,334)</b>	<b>(32,324)</b>
Unsecured medium- and long-term bank loans at amortized cost	(477)	(779)
Secured medium- and long-term bank loans at amortized cost	(18,143)	(30,116)
Medium- and long-term loans from subsidiaries	(714)	(1,429)
<i>Hedging derivatives</i>	<b>(227)</b>	<b>(622)</b>
<i>Non-hedging derivatives</i>	<b>(54)</b>	<b>(81)</b>
<b>Total</b>	<b>(19,615)</b>	<b>(33,027)</b>
<b>Current liabilities</b>		
<i>Non-derivative liabilities</i>	<b>(56,682)</b>	<b>(50,939)</b>
Current portion of unsecured medium- and long-term bank loans at amortized cost	(323)	(21)
Current portion of secured medium- and long-term bank loans at amortized cost	(12,082)	(12,039)
Short-term bank loans as use of commercial facilities	(22,232)	(25,836)
Current portion of loans from subsidiaries	(714)	(714)
Cash pooling current account	(21,331)	(12,329)
<i>Hedging derivatives</i>	<b>(361)</b>	<b>(503)</b>
<i>Non-hedging derivatives</i>	<b>(28)</b>	<b>(77)</b>
<b>Total</b>	<b>(57,071)</b>	<b>(51,519)</b>

## Loan Repayment Plans, Terms and Conditions

The terms and conditions of the loans are summarized in the table below.

	Currency	Nominal interest rate	Year of maturity	Nominal value at 12.31.2013	Book value	Nominal value at 12.31.2012	Book value
<b>(thousands of Euros)</b>							
<b>Secured medium- and long-term bank loans at amortized cost</b>				<b>30,441</b>	<b>30,116</b>	<b>42,618</b>	<b>41,998</b>
Intesa SanPaolo syndicated loan (tranche A)	Euro	Eur6m+spread	2016	15,701	15,432	21,982	21,469
Intesa SanPaolo syndicated loan (tranche B)	Euro	Eur6m+spread	2016	5,000	4,950	7,000	6,905
Banca Popolare Emilia Romagna	Euro	mEur6m+spread	2016	1,550	1,544	2,170	2,158
Intesa SanPaolo	Euro	Eur6m+spread	2016	8,190	8,190	11,466	11,466
<b>Unsecured bank loans at amortized cost</b>				<b>778</b>	<b>778</b>	<b>779</b>	<b>779</b>
MinIndustria 10686	Euro	fix	2014	154	154	154	154
Minindustria 11172	Euro	fix	2017	624	624	625	625
<b>Total medium- and long-term loans</b>	<b>Euro</b>			<b>31,219</b>	<b>30,894</b>	<b>43,397</b>	<b>42,777</b>
<b>Short-term bank loans as use of commercial facilities</b>				<b>22,220</b>	<b>22,220</b>	<b>25,824</b>	<b>25,824</b>
Used portfolio	Euro	Euribor+spread	n/a	4,335	4,335	7,475	7,475
Pre-paid invoices	Euro	Euribor+spread	n/a	3,066	3,066	2,413	2,413
Export loans	Euro	Euribor+spread	n/a	11,899	11,899	14,523	14,523
Import loans	Euro	Euribor+spread	n/a	2,920	2,920	1,413	1,413
<b>Total short-term loans</b>	<b>Euro</b>			<b>22,220</b>	<b>22,220</b>	<b>25,824</b>	<b>25,824</b>
<b>Total interest-bearing liabilities</b>	<b>Euro</b>			<b>53,439</b>	<b>53,114</b>	<b>69,221</b>	<b>68,601</b>

## 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)	
<b>Reserve 12.31.2012</b>	<b>(563)</b>
<i>Fair value adjustment of cash flow hedge derivatives</i>	520
<i>Tax effect of fair value adjustment of cash flow hedge derivatives</i>	(143)
<i>Transfers to the income statement</i>	(14)
<i>Tax effect of transfers to the income statement</i>	4
<b>Reserve 12.31.2013</b>	<b>(196)</b>

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:

	12.31.2013	12.31.2012
<b>(thousands of Euros)</b>		
Gross trade receivables	46,352	56,631
- provision for bad and doubtful debts	(2,467)	(2,704)
<b>Total</b>	<b>43,885</b>	<b>53,927</b>

## 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, 2013	More than 60 days	From 31 to 60 days	From 0 to 30 days	Non-overdue receivables	Total
<b>(thousands of Euros)</b>					
Italy	779	189	1,562	29,969	32,499
EU	216	16	224	3,880	4,336
Rest of world	53	2	2,197	4,798	7,050
<b>Total</b>	<b>1,048</b>	<b>207</b>	<b>3,983</b>	<b>38,647</b>	<b>43,885</b>

Overdue receivables					
December 31, 2012	More than 60 days	From 31 to 60 days	From 0 to 30 days	Non-overdue receivables	Total
<b>(thousands of Euros)</b>					
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
<b>Total</b>	<b>1,319</b>	<b>46</b>	<b>3,792</b>	<b>48,770</b>	<b>53,927</b>

As at December 31, 2013 the Parent Company's overdue receivables (€5.2 million) were nearly unchanged from the previous year (€5.2 million). They represent 11.9% of the total portfolio compared to 9.6% reported in the previous year, but the comparison in percentage terms is distorted by the €10 million reduction in overall receivables due mainly to higher factoring transactions.

## *How Credit Risk is Managed*

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

Both the Parent Company and French and German subsidiaries have also entered into non-recourse receivable assignment agreements.

The internal procedures for carrying out a creditworthiness assessment involve collecting and analyzing qualitative and quantitative information and the use of external data bases and commercial information. The policies adopted have to date allowed for limiting losses on receivables, which in 2013 were lower than the previous year. In any case, there was a deterioration in the general credit situation in countries that are more exposed to the general economic crisis, especially in Italy.

## **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;

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 2013, the Parent Company managed the marginal imbalance between investments and funds in the same currency by using a natural-hedging approach and by carefully and continually monitoring market conditions; as a result, it was not deemed necessary to resort to hedging derivatives.

The Parent Company's exposure in euros is shown below, based on the official ECB exchange rates as at December 31, 2013 and December 31, 2012, as reported in the following table:

ECB exchange rates	12.31.2013	12.31.2012
(per euro)		
USD	1.3791	1.3194
GBP	0.8337	0.8161
CHF	1.2276	1.2072
CAD	1.4671	1.3137

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.

	12.31.2013				12.31.2012			
	USD	GBP	CHF	CAD	USD	GBP	CHF	AUD
(thousands of Euros)								
Trade receivables	3,425	240	(1)		4,762	463		
Trade payables	(1,650)			(26)	(2,635)			(17)
Cash and cash equivalents	1,498	1,972	2	1	2,658	459		
<b>Net exposure</b>	<b>3,273</b>	<b>2,212</b>	<b>1</b>	<b>(25)</b>	<b>4,785</b>	<b>922</b>		<b>(17)</b>

### *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, 2013 and December 31, 2012) 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 as at December 31, 2013 and December 31, 2012 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 or loss	(thousands of Euros)	Gain or loss
<b>December 31, 2013</b>		<b>December 31, 2013</b>	
USD	(298)	USD	364
GBP	(201)	GBP	246
CHF		CHF	
CAD	2	CAD	(3)
<b>Total</b>	<b>(497)</b>	<b>Total</b>	<b>607</b>
<b>December 31, 2012</b>		<b>December 31, 2012</b>	
USD	(435)	USD	532
GBP	(84)	GBP	102
CHF		CHF	
AUD	1	AUD	(2)
<b>Total</b>	<b>(518)</b>	<b>Total</b>	<b>632</b>

### *How Currency Risk is Managed*

The main objective of the Parent Company's currency-risk management policy is to limit the exposure to foreign currency arising from exporting finished goods to and importing raw materials from foreign markets. The following guidelines are used in pursuing this policy:

- inflows and outflows in the same currency are offset (natural hedging);
- recourse is made to forward sales or to export loans in the same currency. These transactions were arranged by using a notional amount and due date 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.
- 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 nominal value of the financial instruments.

However, the exposure to interest rate risk arising from loans is partially mitigated by entering into interest rate swap agreements designed to hedge the volatility of future cash flows indexed to market rates.

	12.31.2013	%	12.31.2012	%
<b>(thousands of Euros)</b>				
Floating-rate medium- and long-term loans	(10,585)	13.9%	(18,141)	21.7%
Floating-rate medium- and long-term loans hedged by IRS	(7,680)	10.1%	(12,300)	14.7%
Fixed-rate medium- and long-term loans	(477)	0.6%	(779)	0.9%
Fixed-rate medium- and long-term loans from subsidiaries	(714)	0.9%	(1,429)	1.7%
<b>Total non-current liabilities</b>	<b>(19,456)</b>	<b>25.5%</b>	<b>(32,649)</b>	<b>39.0%</b>
Floating-rate medium- and long-term loans	(7,165)	9.4%	(7,056)	8.4%
Floating-rate medium- and long-term loans hedged by IRS	(5,120)	6.7%	(5,120)	6.1%
Fixed-rate medium- and long-term loans	(323)	0.4%		
Floating-rate short-term bank loans as use of commercial facilities	(22,232)	29.1%	(25,836)	30.9%
Fixed-rate medium- and long-term loans from subsidiaries	(714)	0.9%	(714)	0.9%
Floating-rate cash pooling with subsidiaries and joint ventures	(21,331)	27.9%	(12,329)	14.7%
<b>Total current liabilities</b>	<b>(56,885)</b>	<b>74.5%</b>	<b>(51,055)</b>	<b>61.0%</b>
<b>Total (floating rate)</b>	<b>(39,981)</b>	<b>52.4%</b>	<b>(53,176)</b>	<b>63.5%</b>
<b>Total (fixed rate or hedged floating rate)</b>	<b>(36,359)</b>	<b>47.6%</b>	<b>(30,527)</b>	<b>36.5%</b>
<b>Total</b>	<b>(76,341)</b>	<b>100.0%</b>	<b>(85,155)</b>	<b>100.0%</b>

## 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
<b>(thousands of Euros)</b>				
<b>December 31, 2013</b>				
Cash flows during the year	(177)	176		
<i>Cash flows from derivatives</i>	54	(55)		
<i>Intragroup accounts</i>	(110)	110		
<i>Floating-rate loans</i>	(121)	121		
Effectiveness of hedges			85	(85)
<b>Net sensitivity of financial flows</b>	<b>(177)</b>	<b>176</b>	<b>85</b>	<b>(85)</b>
<b>December 31, 2012</b>				
Cash flows during the year	(476)	475		
<i>Cash flows from derivatives</i>	99	(100)		
<i>Intragroup accounts</i>	(162)	162		
<i>Floating-rate loans</i>	(413)	413		
Effectiveness of hedges			242	(246)
<b>Net sensitivity of financial flows</b>	<b>(476)</b>	<b>475</b>	<b>242</b>	<b>(246)</b>

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

### *How Interest Rate Risk is Managed*

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

The techniques used most often are:

- advances for short-term 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 June 2012, RDM entered into contracts for the supply of natural gas for 2013 at a fixed price for a portion of the amount needed. In order to limit commodity risk, other fixed-price supply contracts were entered into for shorter consumption periods that were negotiated and confirmed at different times to fulfill the needs of plants. All prices are expressed in euros per unit of volume.

At the end of October 2012, 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, and are expressed in euros per unit of electricity.

As at December 31, 2013, there were no outstanding derivative instruments for hedging commodity risk.

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

### *How Commodity Risk is Managed*

The nature of RDM's business entails exposure to fluctuations in the price of electricity, natural gas and certain chemicals derived from petroleum (such as latexes) and fibrous raw materials.

Natural gas supply contracts are at a fixed price, and are entered into at least three months before the supply period. Electricity is purchased at a price indexed to amounts set in continental electricity markets, such as those published by entities responsible for these markets.

In order to contain price pressure on raw materials such as chemicals and fibrous products, the Parent Company 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 maturity date, the analysis aimed to measure the cash flows deriving from the various types of financial liability held as at December 31, 2013 and December 31, 2012.

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, 2013	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
<b>(thousands of Euros)</b>							
Cash and cash equivalents	2,728	2,728	2,728				
Trade receivables	43,885	43,885	43,885				
Other receivables from associates and joint ventures	4,145	4,145	4,145				
Other receivables	9,647	9,647	9,192		303		152
Medium- and long-term bank loans	(31,025)	(32,956)	(6,612)	(6,559)	(13,247)	(6,538)	
Short-term bank loans as use of commercial facilities	(22,232)	(22,232)	(22,232)				
Other payables to Group companies	(21,331)	(21,331)	(21,331)				
Financial payables to subsidiaries	(1,429)	(1,517)	(393)	(383)	(741)		
Hedging derivatives	(588)	(591)	(210)	(152)	(199)	(30)	
Non-hedging derivatives	(82)	(82)	(28)	(24)	(26)	(4)	
Trade payables	(62,671)	(62,671)	(62,671)				
Other payables	(6,539)	(6,539)	(6,539)				
<b>Total</b>	<b>(85,492)</b>	<b>(87,514)</b>	<b>(60,066)</b>	<b>(7,118)</b>	<b>(13,910)</b>	<b>(6,572)</b>	<b>152</b>

December 31, 2012	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
<b>(thousands of Euros)</b>							
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 of 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 derivatives	(1,125)	(1,132)	(294)	(210)	(398)	(230)	
Non-hedging derivatives	(158)	(160)	(38)	(30)	(60)	(32)	
Trade payables	(74,456)	(74,456)	(74,456)				
Other payables	(6,813)	(6,813)	(6,813)				
<b>Total</b>	<b>(103,037)</b>	<b>(107,756)</b>	<b>(65,566)</b>	<b>(7,378)</b>	<b>(14,700)</b>	<b>(20,132)</b>	

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, 2013*

*Annex B: Equity investments in subsidiaries and associates*

*Annex C: Share-based payment plans*

## ANNEX A – BREAKDOWN OF RELATED-PARTY AND INTRAGROUP TRANSACTIONS AS AT December 31, 2013

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 2013 and 2012 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 joint ventures and associates		Payables to subsidiaries	Payables to subsidiaries		Payables to joint ventures and associates	
	Trade-related (1)	Financial (2)	Trade-related (1)	Financial (2)	Financial (3)	Trade-related (4)	Financial (5)	Trade-related (4)	Financial (5)
<b>December 31, 2013</b>									
<b>(thousands of Euros)</b>									
Careo S.r.l.			374					3,295	615
Cartiera Alto Milanese S.p.A.	5,942						1,706		
Reno De Medici Arnsberg Gmbh	667				714		12,130		
Reno De Medici UK Ltd	34	664							
Emmaus Pack S.r.l.	5,927	1,467				25			
Pac Service S.p.A.								152	
Manucor S.p.A.								127	
RDM Blendecques S.A.S.	1,832	1,364					610		
Reno de Medici Iberica S.L.	964	560				42			
Carta Service Friuliana S.r.l.			127						
ZAR S.r.l.				90				267	
RDM Ovaro S.p.A.	819					427	6,985		
<b>Total</b>	<b>16,185</b>	<b>4,055</b>	<b>501</b>	<b>90</b>	<b>714</b>	<b>494</b>	<b>21,431</b>	<b>3,841</b>	<b>615</b>

(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”

December 31, 2012	Current assets				Non-current liabilities	Current liabilities			
	Receivables from subsidiaries		Receivables from associates		Payables to subsidiaries	Payables to subsidiaries		Payables to associates	
	Trade-related (1)	Financial (2)	Trade-related (1)	Financial (2)	Financial (3)	Trade-related (4)	Financial (5)	Trade-related (4)	Financial (5)
<b>(thousands of Euros)</b>									
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	
RDM Ovaro S.p.A.	1,137						983		
<b>Total</b>	<b>22,804</b>	<b>4,180</b>	<b>650</b>	<b>90</b>	<b>1,429</b>	<b>122</b>	<b>10,923</b>	<b>3,529</b>	<b>2,120</b>

## INTRAGROUP REVENUES

December 31, 2013	Revenues from sales (1)	Other revenues (2)	Financial income
(thousands of Euros)			
Careo S.r.l.		708	75
Cartiera Alto Milanese S.p.A.	19,271	92	16
Reno De Medici Arnsberg Gmbh		2,691	
Emmaus Pack S.r.l.	12,893	140	42
Pac Service S.p.A.	3,688		
Manucor S.p.A.		(304)	
RDM Blendecques S.A.S.		1,415	85
Reno De Medici Iberica S.L.	7,500	648	2
R.D.M. Ovaro S.p.A.	70	313	
Reno De Medici UK Ltd	(23)	163	21
<b>Total</b>	<b>43,399</b>	<b>5,866</b>	<b>241</b>

(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

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
<b>Total</b>	<b>44,043</b>	<b>6,478</b>	<b>332</b>

## INTRAGROUP COSTS

	Cost of Raw Materials and Services (1)		Financial expense
December 31, 2013	raw materials	services	
(thousands of Euros)			
Careo S.r.l.		4,970	10
Cartiera Alto Milanese S.p.A.			6
Reno De Medici Arnsberg Gmbh			276
RDM Blendecques S.A.S.			2
Emmaus Pack S.r.l.	65		
RDM Ovaro S.p.A.	24	(12)	127
Reno De Medici UK Ltd	72		
Reno De Medici Iberica S.L.			37
ZAR S.r.l.	5,558		
Total	5,719	4,958	458

(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, 2012	Cost of Raw Materials and Services (1)		Financial expense
	raw materials	services	
(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
RDM 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

## 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, 2013:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities
December 31, 2013	Receivables from third party customers	Non-current receivables	Payables to third party suppliers	Non-current payables
<b>(thousands of Euros)</b>				
Cascades Asia Ltd	362			
Cascades Canada Inc.			26	
Cascades Groupe Produits Spec.			1	
<b>Total</b>	<b>362</b>		<b>27</b>	
<b>Share of item total</b>	<b>1.28%</b>		<b>0.05%</b>	

(1) See statement of financial position – total of item “Other payables” classified in “Non current liabilities”

	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
<b>(thousands of Euros)</b>				
Cascades Asia Ltd	81			
Cascades Canada Inc.			13	
Cascades S.A.S.			57	1,204
Cascades Groupe Produits Spec.			1	
<b>Total</b>	<b>81</b>		<b>71</b>	<b>1,204</b>
<b>Share of item total</b>	<b>0.3%</b>		<b>0.1%</b>	<b>80.8%</b>

## REVENUES AND COSTS WITH OTHER RELATED PARTIES

The tables below provide a breakdown of revenues and costs with other related parties during 2013:

December 31, 2013	Revenues from sales (1)	Other revenues (2)
(thousands of Euros)		
Cascades Asia Ltd	2,566	
Cascades S.A.S.		1,204
<b>Total</b>	<b>2,566</b>	<b>1,204</b>
<b>Share of item total</b>	<b>1.2%</b>	<b>6.7%</b>

(1) See RDM income statement – “Revenues from sales – of which related parties” includes “Revenues from sales” intercompany and other related parties

December 31, 2013	Cost of Raw Materials and Services (1)
(thousands of Euros)	
Cascades Canada Ulc	58
Cascades S.A.S.	72
Red. Im. S.r.l.	20
<b>Total</b>	<b>150</b>
<b>Share of item total</b>	<b>0.1%</b>

(1) See RDM income statement – “Cost of raw materials and services – of which related parties” includes “Raw material and service costs” intercompany and other related parties

December 31, 2012	Revenues from sales (1)
(thousands of Euros)	
Cascades Asia Ltd	1,737
<b>Total</b>	<b>1,737</b>
<b>Share of item total</b>	<b>0.8%</b>

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
<b>Total</b>	<b>258</b>
<b>Share of item total</b>	<b>0.1%</b>

## CASH FLOWS WITH RELATED PARTIES

	12.31.2013	12.31.2012
(thousands of Euros)		
Revenues and income	53,035	52,258
Costs and charges	(10,827)	(9,256)
Interest income	241	332
Interest expense	(458)	(607)
Change in trade receivables	5,449	(5,981)
Change in trade payables	(565)	(2,976)
Overall change in working capital	4,884	(8,957)
<b>Cash flows from operating activities</b>	<b>46,875</b>	<b>33,770</b>
Change in other financial assets, financial liabilities and short-term payables to banks	9,127	(15,137)
Change in medium- and long-term loans	(714)	(4,941)
<b>Cash flows from financing activities</b>	<b>8,413</b>	<b>(20,078)</b>
<b>Cash flows for the year</b>	<b>38,462</b>	<b>13,692</b>

## ANNEX B – EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Equity investments of more than 10% of capital in unlisted stock companies or limited-liability companies as at December 31, 2013 (pursuant to article 126 of Consob Resolution 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%

RDM Ovaro S.p.A.

Milan - Italy

Direct ownership 80%

Reno De Medici Arnsberg GmbH

Arnsberg – Germany

Direct ownership 94%

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

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
Giuseppe Garofano	Deputy Chairman	04/27/2011	Phantom Shares	1,000,000	3/21/2011(cpr) 3/21/2011 (cda)	Not applicable	0.23	Not applicable
Ignazio Capuano	CEO	04/27/2011	Phantom Shares	1,800,000	3/21/2011(cpr) 3/21/2011 (cda)	Not applicable	0.23	Not applicable
Stéphane Thiollier	Marketing and Sales Manager	27/04/2011	Phantom Shares	540,000	3/21/2011(cpr) 3/21/2011 (cda)	Not applicable	0.23	Not applicable
Stefano Moccagatta	CFO	04/27/2011	Phantom Shares	330,000	3/21/2011(cpr) 3/21/2011 (cda)	Not applicable	0.23	Not applicable
Manfred Draxler	COO	04/27/2011	Phantom Shares	470,000	3/21/2011(cpr) 3/21/2011 (cda)	Not applicable	0.23	Not applicable
Minoleo Marucci	Coordinator Italy	04/27/2011	Phantom Shares	275,000	3/21/2011(cpr) 3/21/2011 (cda)	Not applicable	0.23	Not applicable
Silvano Giorgis	Mill Director	04/27/2011	Phantom Shares	250,000	3/21/2011(cpr) 3/21/2011 (cda)	Not applicable	0.23	Not applicable
Alessandro Magnoni	Mill Director	04/27/2011	Phantom Shares	250,000	3/21/2011(cpr) 3/21/2011 (cda)	Not applicable	0.23	Not applicable
Francesco Canal	Mill Director	04/27/2011	Phantom Shares	250,000	21/3/2011(cpr) 21/3/2011 (cda)	Not applicable	0.23	Not applicable
Guido Giuseppe Vigorelli	Head of Procurement & Logistics	04/27/2011	Phantom Shares	250,000	21/3/2011(cpr) 21/3/2011 (cda)	Not applicable	0.23	Not applicable
Jose Antonio Raso	Mill Director	04/27/2011	Phantom Shares	250,000	21/3/2011(cpr) 21/3/2011 (cda)	Not applicable	0.23	Not applicable
Veronica Arciuolo	Legal and Corporate Manager	04/27/2011	Phantom Shares	200,000	21/3/2011(cpr) 21/3/2011 (cda)	Not applicable	0.23	Not applicable
Daniele Gatti	IT Manager	04/27/2011	Phantom Shares	200,000	21/3/2011(cpr) 21/3/2011 (cda)	Not applicable	0.23	Not applicable
Fabio Invernizzi	Energy Manager	04/27/2011	Phantom Shares	200,000	21/3/2011(cpr) 21/3/2011 (cda)	Not applicable	0.23	Not applicable
Isabelle Lefebvre	Administrative Manager of RDM Blendecques S.A.S.	04/27/2011	Phantom Shares	200,000	21/3/2011(cpr) 21/3/2011 (cda)	Not applicable	0.23	Not applicable
Marita Lovera	RDM HR Manager	04/27/2011	Phantom Shares	200,000	21/3/2011(cpr) 21/3/2011 (cda)	Not applicable	0.23	Not applicable
Benoit Rimbault	Operations Manager of RDM Blendecques S.A.S.	04/27/2011	Phantom Shares	200,000	21/3/2011(cpr) 21/3/2011 (cda)	Not applicable	0.23	Not applicable

(1) Spot price at March 21, 2011, the date of Board approval.

Note: Mr. Dubè (as of 11.2.12) and Mr. Rosati (as of 11.17.11) are no longer beneficiaries 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 2013 fees for auditing and other services provided by the independent auditor Deloitte & Touche S.p.A. and by members of the Deloitte & Touche S.p.A. network.

DESCRIPTION	Service provider company	Recipient	2013 fees (thousands of Euros)
Statutory audit	Deloitte & Touche S.p.A.	Parent Company Reno De Medici S.p.A.	148
	Deloitte & Touche S.p.A.	Subsidiaries	53
	Network Deloitte & Touche S.p.A.	Subsidiaries	118
Other auditing services	Deloitte & Touche S.p.A.	Parent Company Reno De Medici S.p.A.	66
<b>Total</b>			<b>385</b>

## BOARD OF STATUTORY AUDITOR'S REPORT

## CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2013, 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, 2013.

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 accurate 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, 2014

Chief Executive Officer  
[Signature]

Ignazio Capuano

Financial Reporting Executive  
[Signature]

Stefano Moccagatta

## INDEPENDENT AUDITOR'S REPORT

## PROPOSED RESOLUTION

Dear Shareholders,

the 2013 separate financial statements, which we submit for your approval, show a profit of €676,470.84, which we propose to carry forward.

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 12.31.13;*
- 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, 2013;*
- to approve the proposal made by the Board of Directors to allocate the profit of €676,470.84 for 2013 as follows:*
  - €33,823.54 to the legal reserve pursuant to article 2430 of the Italian Civil Code;*
  - the remaining €642,647.30 to cover previous losses.*
- 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, 2013”.*

Milan, March 20, 2014

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, 2013, 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.

RDM 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	12.31.2013	12.31.2012
Non-current assets	139	124
Current assets	9,302	9,223
<b>TOTAL ASSETS</b>	<b>9,441</b>	<b>9,356</b>
Liabilities and shareholders' equity	12.31.2013	12.31.2012
Shareholders' Equity	1,230	1,162
Provisions for Risks and Charges	170	155
TFR		
Payables	8,041	8,039
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>9,441</b>	<b>9,356</b>

#### Income Statement

(thousands of Euros)		
	12.31.2013	12.31.2012
Value of production	20,545	17,439
Cost of production	(20,218)	(17,285)
<b>Operating profit</b>	<b>327</b>	<b>154</b>
Financial income (expense)	(55)	(51)
<b>Profit (loss) before taxes</b>	<b>272</b>	<b>103</b>
Taxes for the year	(104)	(48)
<b>Profit (loss) for the year</b>	<b>168</b>	<b>53</b>

Cascades Grundstück GmbH & Co.KG

Registered office in Arnsberg - Hellefelder Street, 51

Share capital €11,000

#### Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2013	12.31.2012
Non-current assets	306	306
Current assets	5	2
<b>TOTAL ASSETS</b>	<b>311</b>	<b>308</b>
Liabilities and shareholders' equity	12.31.2013	12.31.2012
Shareholders' Equity	311	305
Provisions for Risks and Charges		
TFR		
Payables	0	3
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>311</b>	<b>308</b>

#### Income Statement

(thousands of Euros)		
	12.31.2013	12.31.2012
Value of production		
Cost of production	(2)	(7)
<b>Operating profit</b>	<b>(2)</b>	<b>(7)</b>
Financial income (expense)		
<b>Profit (loss) before taxes</b>	<b>(2)</b>	<b>(7)</b>
Taxes for the year		
<b>Profit (loss) for the year</b>	<b>(2)</b>	<b>(7)</b>

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	12.31.2013	12.31.2012
Non-current assets	437	480
Current assets	11,295	11,461
<b>TOTAL ASSETS</b>	<b>11,732</b>	<b>11,941</b>
Liabilities and shareholders' equity	12.31.2013	12.31.2012
Shareholders' Equity	1,414	1,195
Provisions for Risks and Charges	87	82
TFR	239	213
Payables	9,992	10,451
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>11,732</b>	<b>11,941</b>

#### Income Statement

(thousands of Euros)		
	12.31.2013	12.31.2012
Value of production	18,701	19,555
Cost of production	(17,826)	(18,941)
<b>Operating profit</b>	<b>875</b>	<b>614</b>
Financial income (expense)	(75)	(57)
<b>Profit (loss) before taxes</b>	<b>800</b>	<b>557</b>
Taxes for the year	(281)	(253)
<b>Profit (loss) for the year</b>	<b>519</b>	<b>304</b>

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	12.31.2013	12.31.2012
Non-current assets	7,105	7,080
Current assets	11,305	13,559
<b>TOTAL ASSETS</b>	<b>18,410</b>	<b>20,639</b>
Liabilities and shareholders' equity	12.31.2013	12.31.2012
Shareholders' Equity	(3,239)	(3,725)
Provisions for Risks and Charges	1,463	1,371
TFR	2,489	2,772
Payables	17,697	20,221
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>18,410</b>	<b>20,639</b>

#### Income Statement

(thousands of Euros)		
	12.31.2013	12.31.2012
Value of production	58,067	59,770
Cost of production	(59,310)	(60,546)
<b>Operating profit</b>	<b>(1,243)</b>	<b>(776)</b>
Financial income (expense)	(308)	(334)
<b>Profit (loss) before taxes</b>	<b>(1,551)</b>	<b>(1,110)</b>
Taxes for the year	(129)	(118)
Discontinued operations		
<b>Profit (loss) for the year</b>	<b>(1,680)</b>	<b>(1,228)</b>

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	12.31.2013	12.31.2012
Non-current assets	68,430	74,202
Current assets	37,668	40,754
<b>TOTAL ASSETS</b>	<b>106,098</b>	<b>114,956</b>
Liabilities and shareholders' equity	12.31.2013	12.31.2012
Shareholders' Equity	55,559	57,961
TFR	13,502	13,879
Payables	37,037	43,116
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>106,098</b>	<b>114,956</b>

#### Income Statement

(thousands of Euros)		
	12.31.2013	12.31.2012
Value of production	117,259	121,559
Cost of production	(116,560)	(123,335)
<b>Operating profit</b>	<b>699</b>	<b>(1,776)</b>
Financial income (expense)	(429)	(422)
<b>Profit (loss) before taxes</b>	<b>270</b>	<b>(2,198)</b>
Taxes for the year	(100)	274
<b>Profit (loss) for the year</b>	<b>170</b>	<b>(1,923)</b>

Reno De Medici Iberica S.L.

Registered office in Prat De Llobregat (Barcelona) calle Selva, 2

Share capital €7,466,578

#### Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2013	12.31.2012
Non-current assets	5,040	6,916
Current assets	10,449	11,554
<b>TOTAL ASSETS</b>	<b>15,489</b>	<b>18,470</b>
Liabilities and shareholders' equity	12.31.2013	12.31.2012
Shareholders' Equity	6,816	8,277
Provisions for Risks and Charges		
TFR		
Payables	8,673	10,193
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>15,489</b>	<b>18,470</b>

#### Income Statement

(thousands of Euros)		
	12.31.2013	12.31.2012
Value of production	33,358	34,335
Cost of production	(34,723)	(34,890)
<b>Operating profit</b>	<b>(1,365)</b>	<b>(555)</b>
Financial income (expense)	(95)	176
<b>Profit (loss) before taxes</b>	<b>(1,460)</b>	<b>(379)</b>
Taxes for the year	-	-
<b>Profit (loss) for the year</b>	<b>(1,460)</b>	<b>(379)</b>

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	12.31.2013	12.31.2012
Non-current assets	104	402
Current assets	3,098	4,325
<b>TOTAL ASSETS</b>	<b>3,202</b>	<b>4,727</b>
Liabilities and shareholders' equity	12.31.2013	12.31.2012
Shareholders' Equity	(203)	1,529
Provisions for Risks and Charges	-	245
TFR	21	35
Payables	3,384	2,918
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,202</b>	<b>4,727</b>

#### Income Statement

(thousands of Euros)		
	12.31.2013	12.31.2012
Value of production	7,173	7,848
Cost of production	(8,816)	(8,518)
<b>Operating profit</b>	<b>(1,643)</b>	<b>(671)</b>
Financial income (expense)	(27)	11
<b>Profit (loss) before taxes</b>	<b>(1,670)</b>	<b>(659)</b>
Taxes for the year		-
<b>Profit (loss) for the year</b>	<b>(1,670)</b>	<b>(659)</b>

Reno De Medici Ovaro S.p.A. (formerly Reno Logistica S.r.l. in liquidation)

Registered office in Milan - Via Durini, 16/18

Share capital €12,500,000

#### Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2013	12.31.2012
Non-current assets	11,748	11,155
Current assets	24,855	22,057
<b>TOTAL ASSETS</b>	<b>36,603</b>	<b>33,212</b>
Liabilities and shareholders' equity	12.31.2013	12.31.2012
Shareholders' Equity	11,385	9,381
Provisions for Risks and Charges	189	170
TFR	2,308	2,456
Payables	22,721	21,205
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>36,603</b>	<b>33,212</b>

#### Income Statement

(thousands of Euros)		
	12.31.2013	12.31.2012
Value of production	43,558	22,028
Cost of production	(40,432)	(20,872)
<b>Operating profit</b>	<b>3,126</b>	<b>1,156</b>
Financial income (expense)	(242)	(276)
<b>Profit (loss) before taxes</b>	<b>2,884</b>	<b>880</b>
Taxes for the year	(951)	(259)
<b>Profit (loss) for the year</b>	<b>1,933</b>	<b>621</b>

Careo S.r.l. (\*)

Registered office in Milan - Via Durini, 16/18

Share capital €100,000

#### Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2013	12.31.2012
Non-current assets	761	850
Current assets	8,367	10,425
<b>TOTAL ASSETS</b>	<b>9,128</b>	<b>12,275</b>
Liabilities and shareholders' equity	12.31.2013	12.31.2012
Shareholders' equity	267	(173)
Non-current liabilities	2,904	2,828
Current liabilities	5,957	8,620
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>9,128</b>	<b>12,275</b>

#### Income Statement

(thousands of Euros)		
	12.31.2013	12.31.2012
Value of production	13,378	12,932
Cost of production	(12,805)	(13,581)
<b>Operating profit</b>	<b>573</b>	<b>(649)</b>
Financial income (expense)	(177)	(161)
<b>Profit (loss) before taxes</b>	<b>396</b>	<b>(810)</b>
Taxes for the year	(279)	(124)
<b>Profit (loss) for the year</b>	<b>117</b>	<b>(934)</b>

(\*) 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)	
<b>Assets</b>	<b>12.31.2012 (*)</b>
Non-current assets	81,618
Current assets	43,269
<b>TOTAL ASSETS</b>	<b>124,887</b>
<b>Liabilities and shareholders' equity</b>	<b>12.31.2012</b>
Shareholders' equity	6,331
Non-current liabilities	24,581
Current liabilities	93,975
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>124,887</b>

#### Income Statement

(thousands of Euros)	
	<b>12.31.2012</b>
Value of production	156,861
Cost of production	(167,006)
<b>Operating profit</b>	<b>(10,145)</b>
Financial income (expense)	(1,714)
Other income (expense)	
<b>Profit (loss) before taxes</b>	<b>(11,859)</b>
Taxes for the year	1,995
<b>Profit (loss) for the year</b>	<b>(9,864)</b>

(\*) Figures relating to the last set of approved financial statements.

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	12.31.2013	12.31.2012
Non-current assets	2,518	2,500
Current assets	11,186	8,144
<b>TOTAL ASSETS</b>	<b>13,704</b>	<b>10,644</b>
Liabilities and shareholders' equity	12.31.2013	12.31.2012
Shareholders' Equity	5,885	5,607
Provisions for Risks and Charges	202	115
TFR	490	450
Payables	7,127	4,472
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>13,704</b>	<b>10,644</b>

#### Income Statement

(thousands of Euros)		
	12.31.2013	12.31.2012
Value of production	17,380	15,400
Cost of production	(16,089)	(14,515)
<b>Operating profit</b>	<b>1,291</b>	<b>885</b>
Financial income (expense)	91	15
<b>Profit (loss) before taxes</b>	<b>1,382</b>	<b>900</b>
Taxes for the year	(458)	(300)
<b>Profit (loss) for the year</b>	<b>924</b>	<b>600</b>

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	12.31.2013	12.31.2012
Non-current assets	7	9
Current assets	168	170
<b>TOTAL ASSETS</b>	<b>175</b>	<b>179</b>
Liabilities and shareholders' equity	12.31.2013	12.31.2012
Shareholders' Equity	47	52
TFR		
Payables	128	127
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>175</b>	<b>179</b>

#### Income Statement

(thousands of Euros)

	12.31.2013	12.31.2012
Value of production	-	-
Cost of production	(5)	(7)
<b>Operating profit</b>	<b>(5)</b>	<b>(7)</b>
Financial income (expense)	-	-
<b>Profit (loss) before taxes</b>	<b>(5)</b>	<b>(7)</b>
Taxes for the year	-	-
<b>Profit (loss) for the year</b>	<b>(5)</b>	<b>(7)</b>

Zar S.r.l.

Registered office in Milan

Share capital €90,000

#### Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2013	12.31.2012
Non-current assets	4	4
Current assets	4,037	1,109
<b>TOTAL ASSETS</b>	<b>4,041</b>	<b>1,113</b>
Liabilities and shareholders' equity	12.31.2013	12.31.2012
Shareholders' Equity	121	92
TFR		
Payables	3,920	1,021
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4,041</b>	<b>1,113</b>

#### Income Statement

(thousands of Euros)		
	12.31.2013	12.31.2012
Value of production	24,010	11,820
Cost of production	(23,978)	(11,816)
<b>Operating profit</b>	<b>32</b>	<b>4</b>
Financial income (expense)	(3)	(1)
<b>Profit (loss) before taxes</b>	<b>29</b>	<b>3</b>
Taxes for the year	-	-
<b>Profit (loss) for the year</b>	<b>29</b>	<b>3</b>

**Reno De Medici S.p.A.**

Via Durini 16/18

20122 Milan

Share capital Euro 185,122,487.06

Fiscal code and VAT no. 00883670150

E-mail: [info@rdmgroup.com](mailto:info@rdmgroup.com)

[www.rdmgroup.com](http://www.rdmgroup.com)



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