Press Release

Info to the public pursuant CONSOB resolution no. 11971 of May 14, 1999 and following amendments.

The Board of Directors approves the Half-Year Management Report as of June 30, 2019

OPERATING EFFICIENCY CONTINUES TO BE A STRATEGIC LEVER FOR ENSURING MARGIN SUSTAINABILITY

- **CONSOLIDATED NET SALES AT €362.2 MILLION, COMPARED TO €307.9 MILLION AS OF JUNE 30, 2018 (+17.6%), AS A RESULT OF THE RECENT ACQUISITION OF BARCELONA CARTONBOARD S.A.U.**
- **CONSOLIDATED EBITDA AT €38.9 MILLION COMPARED TO €37.4 MILLION AS OF JUNE 30, 2018.**
- **CONSOLIDATED EBIT AT €24.5 MILLION, DOWN SLIGHTLY (-6.0%) COMPARED TO €26.1 MILLION AS OF JUNE 30, 2018.**
- **CONSOLIDATED NET PROFIT AT €16.7 MILLION COMPARED TO €21.3 MILLION AS OF JUNE 30, 2018 (-21.6%).**
- **NET FINANCIAL DEBT AT €69.8 MILLION (€66.8 MILLION AS OF DECEMBER 31, 2018).**

Milan, July 30, 2019 – The Board of Directors of Reno De Medici S.p.A., which met today under the chairmanship of Eric Laflamme, examined and approved the Half-Year Consolidated Report as of June 30, 2019 with Condensed Consolidated Half-Year Financial Statements and Interim Reports on operations.

Michele Bianchi, CEO of the RDM Group commented:

"We are particularly pleased with our first half results as the double-digit EBITDA margin of 10.7% posted was mainly driven by the achievement of higher efficiencies than was expected at this stage of our transformation process.

Our strategic approach stands on three main pillars, which are optimizing production, strengthening leadership and improving customer service, and this is proving successful, although the demand scenario in recent months has limited the impact on the Group's potential in terms of financial performance. In this context, the additional efficiency gains and the achievement of synergies with RDM Barcelona Cartonboard will be a fundamental step for us to achieve a steady-state of double-digit margins from 2021.

Finally, the result of the last two quarters underlines positive cash flows that are fundamental to our future growth".

Group's performance as of June 30, 2019

The positive Q1 2019 trend continued throughout the first half-year as confirmed by the P&L figures, with EBITDA at €38.9 million compared to €37.4 million for the same period of 2018. Notwithstanding a weaker demand than for the previous year, the RDM Group managed the volume and price pressures on sales through careful planning of production and strengthening of its market position through the recent acquisition of RDM Barcelona Cartonboard. Further, the Group continued to progress the 2018-2020 Transformation Plan, achieving operating efficiencies in the use of raw materials and energy resources. The Group's EBITDA margin continued to exceed double-digit levels, thanks to these efficiencies which partly offset the volume decline as well as the pressure on selling price and energy costs.

With regard to the RDM Group's core business, WLC (White Lined Chipboard segment - coated paperboard for packaging based on recycled fibers) accounted for 84% of consolidated sales in the first half-year 2019. Market demand declined compared to the same period of 2018 (-0.7%) in terms of volumes. Whilst the sales volumes decreased, it was specific to RDM's Villa Santa Lucia plant, which suffered quality and efficiency problems that have been solved; we are now in the process of consolidating customer orders. As a consequence of the weakened demand, there was greater pressure on selling prices, which impacted business across Continental Europe and witnessed a sharper decline in Overseas markets, which accounted for 13.2% of Reno De Medici's consolidated sales for the first two quarters of 2019.

Regarding the main production factors, the cost of recycled paper was stable for the first half of 2019, consistent with the first half of 2018. However, energy costs were higher compared to the same period of the previous year; the drop in energy commodity prices (particularly natural gas) will begin to generate positive effects from the third quarter of 2019, as a result of the purchasing terms in our energy portfolio.

FBB segment (Folding Box Board - cartonboard for folding boxboard based on virgin fibers) accounted for 16% of RDM's consolidated sales. Market demand showed a -4.6% drop compared to the same period of 2018 in terms of volumes, a downward trend that began in January 2019. Despite the steady decline reported in the first five months of the year, average pulp cost increased in the first half of 2019 compared to the same period of 2018. Considering the second quarter of 2019 alone, cost decreased compared to the second quarter of 2018.

In this context, the subsidiary R.D.M. La Rochette posted an EBITDA margin of 4.7%, a sharp improvement compared to the first half of 2018 (2.9%). This margin improvement in the first half of 2019 reflects an increase in the spread between price per ton sold and raw materials cost, thanks to the increase in selling prices announced at the end of 2018, combined with enhanced efficiency in biomass energy generation. However, the profitability level already achieved does not express the plant's full potential, as volumes sold were impacted by weak demand.

The Group's net profit amounted to €16.7 million, down compared to €21.3 million as of June 30, 2018, mainly due to the EBITDA performance and to the increase in D&A and financial expenses as a consequence of the recent acquisition of Barcelona Cartonboard, which was partially offset by the decline in taxes. Moreover, half year net consolidated profit in 2018 had benefited from €3 million of income from equity investments deriving from the fair value valuation of PAC Service S.p.A..

In the first half of 2019, the Group's scope of consolidation included RDM Barcelona Cartonboard, which was consolidated from November 1, 2018. Before intercompany eliminations, RDM Barcelona Cartonboard contributed €67 million to consolidated sales, €4.5 million to EBITDA, and €2.4 million to net profit. The subsidiary's results were in line with the integration plan drawn up upon acquisition.

The main consolidated Income Statement figures as of June 30, 2019 are analyzed here below

Net consolidated sales amounted to €362.2 million compared to €307.9 million for the same period of the previous year. The increase was mainly attributable to the contribution of the recently acquired Barcelona Cartonboard (€67 million). At organic level, sales declined by €12.7 million due to the combined effect of decreased volumes and downward pressure on selling prices, slightly offset by an increase of selling prices in FBB segment.

In the first half of the year, **volumes sold** stood at 602 thousand tons (including Barcelona) compared to 522 thousand tons for the same period of 2018.

At geographical level, following the acquisition of the Spanish paper mill Barcelona Cartonboard, the weight of Italian sales dropped from 33.6% to 28.5% of Group's sales, although they remained stable in absolute terms (€103.3 million compared to €103.5 million in H1 2018). Europe continued to represent the Group's core market, with a weight increasing from 54.3% (€167.2 million) to 58.3% (€211 million). Sales to the rest of the world also grew from 12.1% (€37.2 million) to 13.2% (€48 million).

The **cost for raw materials and services** amounted to €278.3 million compared to €224.4 million for the first half of 2018, up €53.9 million mainly due, in absolute terms, to the consolidation of Barcelona Cartonboard S.A.U. With regard to volumes produced, cost of raw materials per unit declined thanks to the operating efficiencies achieved, partially offset by higher energy costs.

In the period under review, **personnel costs** stood at €52.5 million, up €7.1 million compared to €45.4 million for H1 2018, as a result of the expansion of the scope of consolidation.

In H1 2019, **EBITDA** was €38.9 million compared to €37.4 million for the same period of 2018. The double-digit EBITDA margin was 10.7% compared to 12.1% in H1 2018. The decline was attributable both to the lower operating margins of Barcelona Cartonboard, whose integration plan is still in its early stage, and to demand features. However, the efficiency measures undertaken allowed the Group to maintain a double-digit EBITDA margin, even in a tough environment.

EBIT amounted to €24.5 million, down slightly compared to €26.1 million at the end of June 2018 (-6.0%), as a result of Barcelona Cartonboard's higher amortization and depreciation.

Net consolidated profit for the period was €16.7 million, decreasing compared to €21.3 million at June 30, 2018 (-21.6%). As stated above, such decline reflects the EBITDA performance and higher D&A and financial expenses due to the recently acquired Barcelona Cartonboard, partially offset by lower taxes. Moreover, half year net consolidated profit in 2018 had benefited from €3 million of income from equity investments deriving from the fair value valuation of PAC Service S.p.A..

Net financial debt as of June 30, 2019 amounted to €69.8 million, up €3.0 million compared to December 31, 2018 (€66.8 million). This change is mostly attributable to the application of the new IFRS 16, which led to a financial liability for €12.7 million. Operating cash flow was at €22.5 million, despite higher net working capital, mainly due to the increase in volume of finished products and receivables, reflecting sales seasonality. In the period under review, operating investments amounted to €9.8 million, while dividends paid in May were €2.6 million.

Outlook

In both sectors in which the RDM Group operates, White Lined Chipboard (WLC) and Folding Box Board (FBB), the short-term outlook continues to remain positive compared to the previous quarter. Considering a certain weakness in demand and selling prices, the dynamics of raw material prices and energy costs render it possible to mitigate market weaknesses with respect to sales and maintain positive expectations in terms of profitability.

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Mr. Luca Rizzo, the officer in charge of drafting the Company's accounting documents, declares pursuant to Art. 154–bis, sub-section 2, of Italian Legislative Decree 58/1998 ("Consolidated Financial Law") that the accounting information contained in this press release corresponds to documentary results and to accounting books and records.

This document is an English translation from Italian. The Italian original shall prevail in case of difference in interpretation and/or factual errors.

Since today, the Interim Report as of June 30, 2019 will be available at the Company's registered office in Milan, Viale Isonzo 25, on the corporate website www.rdmgroup.com (Investor Relations/Financial statements and reports) and will be consultable on the authorized storage system, accessible at the site www.emarketstorage.com.

Attached:

- Consolidated Income Statement as of June 30, 2019
- Consolidated Statement of Financial Position as of June 30, 2019
- Consolidated Statement of Cash Flows as of June 30, 2019

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Consolidated income statement as of June 30, 2019

	06.30.2019	06.30.2018
(thousands of Euro)		
Revenues from sales	362,235	307,917
- of which related parties	*5,880*	*7,027*
Other revenues	5,594	3,372
- of which related parties	*50*	*57*
Change in inventories of finished goods	4,588	(1,631)
Cost of raw materials and services	(278,289)	(224,364)
- of which related parties	*(102)*	*(45)*
Personnel cost	(52,487)	(45,358)
Other operating costs	(2,725)	(2,526)
Gross operating profit	**38,916**	**37,410**
Depreciation and amortization	(14,395)	(11,329)
Operating profit	**24,521**	**26,081**
Financial expense	*(2,331)*	*(1,090)*
Gains (losses) on foreign exchange	*(75)*	*78*
Financial income	77	10
Net financial income (expense)	(2,329)	(1,002)
Gains (losses) on investments	86	3,172
Taxes	(5,620)	(6,994)
Profit (loss) for the period	**16,658**	**21,257**
Total profit (loss) for the period attributable to:		
- Group	16,658	21,257
- Minority interests		
Average number of shares		
Basic	377,543,310	377,535,453
Diluted	377,543,310	377,535,453
Basic earnings (loss) per ordinary share (Euro)	0.06	0.06
Diluted earnings (loss) per ordinary share (Euro)	0.06	0.06

<u>Consolidated statement of comprehensive income as of June 30, 2019</u>

	06.30.2019	06.30.2018
(thousands of Euro)		
Profit (loss) for the period	**16,658**	**21,257**
Other components of comprehensive profit (loss)		
Other components that may be transferred to the income statement in subsequent financial periods:	**14**	**15**
Change in fair value of cash flow hedges	19	21
Profit (loss) on translation of financial statements of foreign investee companies	(5)	(6)
Total components of comprehensive profit (loss)	**14**	**15**
Total comprehensive profit (loss)	**16,672**	**21,272**
Total comprehensive profit (loss) attributed to:		
- Group	**16,672**	**21,272**
- Minority interests		

Consolidated statement of financial position as of June 30, 2019

	06.30.2019	12.31.2018
(thousands of Euro)		
ASSETS		
Non-current assets		
Tangible assets	242,514	245,900
Right of Use	12,717	
Goodwill	4,845	4,845
Intangible assets	9,834	10,179
Intangible assets with an indefinite useful life	3,566	3,566
Equity investments	697	694
Deferred tax assets	554	678
Other receivables	5,989	8,710
Total non-current assets	**280,716**	**274,572**
Current assets		
Inventories	112,394	107,138
Trade receivables	86,800	73,191
Receivables from associates and joint ventures	7,246	6,778
Other receivables	11,274	11,766
Derivative instruments	1,012	
Cash and cash equivalents	29,960	31,180
Total current assets	**248,686**	**230,053**
TOTAL ASSETS	**529,402**	**504,625**

(thousands of Euro)	06.30.2019	12.31.2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	140,000	140,000
Other reserves	30,993	30,081
Retained earnings (losses)	21,206	(2,433)
Profit (loss) for the period	16,658	27,170
Shareholders' equity attributable to the Group	**208,857**	**194,818**
Minority interests		
Total shareholders' equity	**208,857**	**194,818**
Non-current liabilities		
Payables to banks and other lenders	73,542	75,858
Derivative instruments	1,048	488
Other payables		104
Deferred taxes liabilities	9,376	11,004
Employee benefits	32,608	32,778
Non-current provision for risks and charges	4,340	4,634
Total non-current liabilities	**120,914**	**124,866**
Current liabilities		
Payables to banks and other lenders	23,877	20,354
Derivative instruments	714	296
Trade payables	133,939	130,409
- of which *related parties*	*1*	*1*
Other payables	26,558	22,401
Other Payables to associates and joint ventures	101	101
Current taxes	12,871	8,979
Deferred taxes	337	
Employee benefits	214	212
Current provision for risks and charges	1,020	2,189
Total current liabilities	**199,631**	**184,941**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**529,402**	**504,625**

Consolidated statement of cash flows as of June 30, 2019

	06.30.2019	06,30,2018
(thousands of Euro)		
Profit (Loss) for the period	16,658	21,257
Taxes	5,620	6,994
Depreciation and amortization	14,395	11,329
Losses (gains) from investments		3,172
Financial (income) expense	2,329	1,002
Write-downs (revaluations) of financial assets	(67)	(24)
Capital losses (gains) on sale of fixed assets	(11)	(272)
Change in provisions for in employee benefits and in other provisions including the provision for bad and doubtful receivables	(2,141)	454
Change in inventories	(5,032)	3,223
Change in trade receivables	(11,330)	(8,323)
- of which related parties		*347*
Change in trade payables	5,371	(9,271)
- of which related parties		*(22)*
Total change in working capital	**(10,991)**	**(14,371)**
Gross cash flows	**25,792**	**23,196**
Interest paid in the year	(1,767)	(740)
Taxes paid in the year	(1,531)	(881)
Cash flow from operating activities	**22,494**	**21,576**
Other equity investments	1	
Investment net of disinvestment in tangible and intangible assets	(9,385)	(6,070)
Dividends received	62	103
Cash flow from investing activities	**(9,322)**	**(5,967)**
Dividends paid	(2,633)	(1,172)
Treasury shares		
Change in other financial assets and liabilities and short-term bank debts	(11,534)	(768)
- of which related parties		
Change in medium/long-term loans	(224)	(6,006)
Cash flow from financing activities	**(14,391)**	**(7,946)**
Exchange rate translation differences	**(4)**	**(6)**
Change in unrestricted cash and cash equivalents	**(1,223)**	**7,657**
Unrestricted cash and cash equivalents at the beginning of the period	**31,181**	**19,128**
Cash and cash equivalents acquired		**2,719**
Unrestricted cash and cash equivalents at the end of the period	**29,960**	**29,504**