



Interim Report

03.31.2019

NET REVENUES: €183.7 MILLION

(COMPARED TO € 157.6 MILLION AS AT MARCH 31, 2018)

GROSS OPERATING PROFIT (EBITDA): € 19.1 MILLION

(COMPARED TO € 18.1 MILLION AS AT MARCH 31, 2018)

OPERATING PROFIT (EBIT): € 12 MILLION

(COMPARED TO PROFIT OF € 12.8 MILLION AS AT MARCH 31, 2018)

NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF € 7.9 MILLION

(COMPARED TO A PROFIT OF € 12.8 MILLION AS AT MARCH 31, 2018)

NET FINANCIAL DEBT: € 63.8 MILLION

(COMPARED WITH €66.8 MILLION AS AT DECEMBER 31, 2018)

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

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BOARD OF DIRECTORS AND AUDITORS

Board of Directors

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

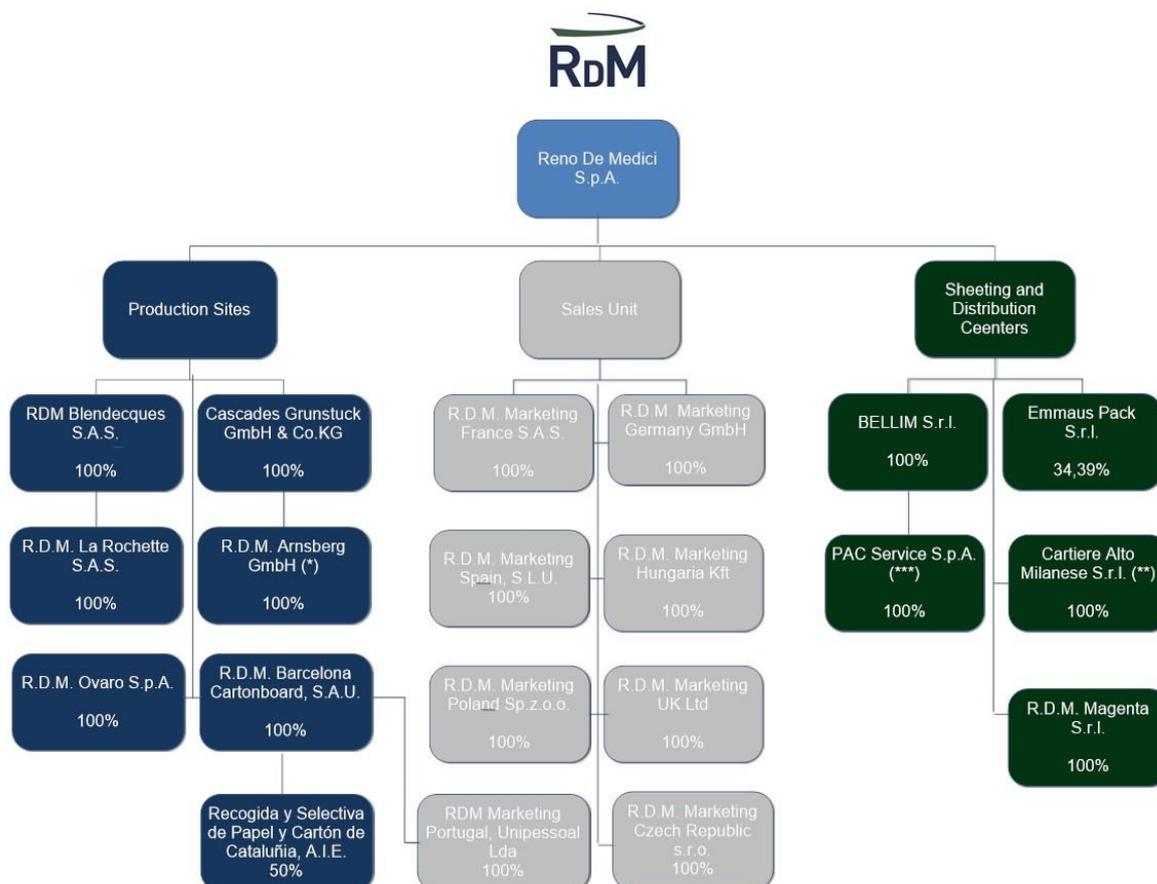
Board of Statutory Auditors

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

Independent Auditors

Deloitte & Touche S.p.A.

GROUP OPERATING COMPANIES AS AT MARCH 31, 2019



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

(**) Company in liquidation

(***) Company owned 60% by Reno De Medici S.p.A. and 40% by BELLIM S.r.l.

DIRECTORS' REPORT ON OPERATIONS

The first quarter of 2019 recorded a slowdown in the main European economies, in line with the previous quarter, leading to a general decrease in demand with respect to the RDM Group's reference markets, along with a tension as regards sales prices. In this context, RDM has nevertheless obtained an excellent operating result, maintaining good margins.

In the first quarter of 2019, EBITDA amounted to € 19.1 million compared to 18.1 in 2018, while its impact on sales revenues was 10.4%, in line with the average for 2018 and compared to 11.5% in the first quarter of 2018.

Net profit amounted to € 7.9 million, against € 12.8 million in the first quarter of 2018. The significant decrease is mainly linked to the profit of € 3.2 million on an M&A evaluation transaction recorded in 2018 and to the greater tax burden for the 2019 financial year.

The results for the first quarter of 2019 include RDM Barcelona Cartonboard S.A.U., consolidated for the first time during the last quarter of 2018, which contributes to the result with an EBITDA of € 2.1 million and a net profit of € 1.1 million.

As in the previous year, the RDM Group continued its activity during the first quarter of 2019, in line with its strategy, in the implementation and consolidation of numerous initiatives aimed at mitigating the changes in margins deriving from the economy variation of the sector to which it belongs. The most important initiatives are those concerning the optimization of the production mix, the allocation of orders amongst various plants based on efficiency criteria, cost reduction and price policies on the various markets. These initiatives, which have already brought important benefits in the 2018 financial year, continue and will continue throughout the current and subsequent financial years with the aim of achieving and consolidating important improvements in structural profitability.

During the first quarter of 2019, the integration of RDM Barcelona Cartonboard S.A.U. began, and significant synergies are expected to be achieved in this respect during the current year and the following one.

The level of gearing¹ showed an improvement, i.e. from 0.26 to 0.24.

¹ The gearing was calculated as the ratio between the net financial position / (net financial position + net equity).

BUSINESS STRATEGY

The segment in which the RDM Group operates traditionally, namely the WLC - White Lined Chipboard (coated cartonboard for packaging on a recycled base) which has an incidence on consolidated turnover exceeding 87% during the first quarter of 2019 marked a total demand of 0.4% lower than the previous year, with European countries substantially in line and a strong reduction in the "overseas", imposed by the slowdown in the economies of this area. RDM, net of the increase in volumes due to the consolidation of RDM Barcelona Cartonboard S.A.U., recorded a decline of 3.2%, i.e. higher than the market. Almost all RDM paper mills recorded trends in line with the market; the greatest decline overall is almost entirely due to the Villa Santa Lucia plant which still suffers from problems of global efficiency, however currently being addressed. The incidence of the greater reduction in "overseas" RDM volumes (-11.5%) compared to the market, which responds to a strategic choice linked to the sharp price decrease, is also to be noted. Markets to which Villa Santa Lucia is particularly exposed.

To protect and increase margins, RDM continues to optimize its order portfolio through the new sales organisation and a dedicated corporate function.

As regards the main factors of production, after the sharp decrease in prices recorded starting from September 2017 and the achievement in March 2018 of the minimum level recorded on the market by the 2009 crisis, the price of paper for recycling did not record any significant changes in the subsequent quarters of 2018. In the first quarter of 2019 the price remained substantially stable with some downward trend. The downward trend in the prices of recycled paper is due to the now known restrictions imposed by the Chinese Government on imports of unsorted waste paper and the restrictions on the release of licenses that have created an excess of supply that has pushed down prices. To date, there are no forecasts in terms of policy changes by the Chinese authorities, which maintain the goal of zero imports starting from 2021.

The FBB - Folding Box Board (cartonboard for folding cartons made with virgin fibers) segment, which has an incidence on consolidated turnover of just under 13%, recorded a decline in market demand of 2.6%. The EBITDA margin of the La Rochette plant was able to benefit from the price increase announced at the end of last year; a factor that allowed, together with the slight decrease in the cost of virgin raw materials, to bring the FBB

segment, heavily penalized in 2018, back to profit. Production volumes were in line with the same period of the previous year, while the volumes sold recorded a reduction (-11%) in a context of reflective demand.

As regards virgin cellulosic fibers, prices reached their peak in June 2018 (approximately USD 1,230/TON) and stabilized during the subsequent quarters. Starting from December 2018, the first downward changes were recorded on both types of virgin fibers, and these materialized in the first quarter of 2019. The short-term forecasts envisage a further fall in prices, albeit slight, until the summer to then stabilize or invert the trend depending on global demand and the performance of the economies.

The dynamics of sales prices and raw materials led to an average value added in the first quarter of 2019 higher than in the previous year.

The **energy costs**, after the substantial increase recorded in 2018, an increase that affected all the main sources of energy supply, i.e. natural gas, electricity, coal, recorded a turnaround starting from the last quarter of the previous year. The deterioration of growth expectations led to a halt of the upward trend in the last quarter and to a substantial reduction in prices, especially gas and coal, in the first quarter of 2019. In terms of results, the positive impact in the first quarter of 2019 was limited by hedges carried out during the previous year. Greater benefits are expected in the next quarters.

OPERATING INVESTMENTS

In the first quarter of 2019, the Group carried out **Investments** for € 4.8 million, compared to 2.5 million in the 2018 quarter. Traditionally, investments in the first quarter of the year are quite limited, in that strategic investments are normally concentrated in the months of August and December. The only significant investment in the first quarter of 2019 is the rebuilding of parts of the gas turbine at the Barcelona plant. The implementation of the new ERP is ongoing.

NET FINANCIAL POSITION

The **Net financial debt** as at 31 March 2019 is € 63.8 million, i.e. a 3 million decrease compared to € 66.8 million as at 31 December 2018.

Net operating cash flow was positive for € 17 million with a working capital substantially unchanged compared to December 2018.

The financial debt as at 31 March 31, 2019 increased by € 6.8 million due to the application of the new IFRS 16, which led to the recognition of financial liabilities linked to the different treatment of operating leases.

CONSOLIDATED RESULTS

The following table summarizes key income statement indicators as at March 31, 2019 and 2018.

	03.31.2019	03.31.2018
<i>(thousands of Euros)</i>		
Revenues from sales	183,706	157,627
OPERATING PROFIT (EBITDA) (1)	19,061	18,122
EBIT (2)	11,965	12,761
Pre-tax income (3)	11,159	15,222
<i>Current and deferred taxes</i>	<i>(3,211)</i>	<i>(2,393)</i>
Profit (Loss) for the period	7,948	12,829

1) See "Gross operating profit" in the Consolidated Financial Statements of the RDM Group

2) See 'Operating profit' in the Consolidated Financial Statements of the RDM Group

3) See 'Profit (loss) for the period' – 'Taxes' in the Consolidated Financial Statements of RDM Group

Sales revenues amounted to € 183.7 million compared to 157.6 million during the same period of the previous year. Net of the consolidation of RDM Barcelona Cartonboard S.A.U. (+ € 34.7 million), sales revenues decreased compared to the same period of the previous year for € 8.6 million. This reduction is related to a decrease in volumes sold.

The **tons sold** during the period by the RDM Group reached 302 thousand units, compared to 268 thousand sold during the same period of 2018. The change reflects on the one hand the tons sold by RDM Barcelona Cartonboard S.A.U. consolidated as from 31 October 2018, and, on the other hand, the decrease in volumes sold on a like-for-like basis with 2018. This decrease is attributable mainly to the reduction in the volumes of the Villa Santa Lucia and La Rochette plants as described above.

Compared to the first quarter of 2018, **the average selling prices** showed a slight decrease in the WLC sector totally offset by a strong increase in prices in the FBB sector.

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

	03.31.2019	% of total	03.31.2018	% of total
(thousands of Euros)				
Italy	53,212	29.0%	49,879	31.6%
EU	109,732	59.7%	88,225	56.0%
Non-EU	20,762	11.3%	19,523	12.4%
Revenues from sales	183,706	100%	157,627	100%

Other revenues amount to € 2.4 million, an increase of € 0.9 million compared to the same period of the previous year. The aforementioned increase is due to the increase in the sale of energy partially offset by the reduction in interruptible revenues and the lower ordinary capital gains recorded in the first quarter of 2018.

Cost for raw materials and services amounts to € 141 million with an increase of € 27.9 million compared to the same period of the previous year, mainly due to the different scope of consolidation. Net of this effect, amounting to € 27 million, the item was affected by an average cost of waste paper and, especially, virgin fiber, which was lower than on 31 March 2018. This positive effect was offset by higher energy costs due to gas and coal prices, which were still much lower during the first quarter of 2018.

Personnel Cost amounts to € 26.7 million, i.e. an increase of € 4.4 million compared to the 22.3 million in the first quarter of 2017. The change reflects mainly the full consolidation of RDM Barcelona Cartonboard S.A.U.

In the first quarter of 2019, **EBITDA** reached € 19.1 million, i.e. an increase compared to 18.1 million during the same period of the previous year, with an incidence on revenues of 10.4% compared to 11.5% in 2018.

EBIT amounts to € 12 million, compared to 12.8 million in the first quarter of 2018. Depreciation and amortization increased by € 1.7 million, due mainly to the change in the scope of consolidation and due to the application, starting from 1 January 2019, of the new

IFRS16 accounting standard whereby the costs for rentals and leases must be capitalized and depreciated.

Net financial charges amounted to € 0.9 million, an increase compared to € 0.7 million during the first quarter of 2018, mainly due to the different scope of consolidation and the positive effect of exchange rate differences following a slight revaluation of the United States dollar and the pound sterling. The average cost of debt has remained stable.

Profits from Equity Investments amounted to € 0.1 million, against € 3.2 million reported in the first quarter of 2018. The change is due, for an amount of € 3 million, to the acquisition of the remaining shares of PAC Service S.p.A., which took place in 2018, with the consequent valuation at fair value of the investment previously held (33.33%) and valued using the equity method.

The amount allocated for **Taxes** was € 3.2 million, compared to € 2.4 million in the first quarter of 2018. The increase is mainly due to the complete use in 2018 of previous losses by the parent company Reno De Medici S.p.A.

Consolidated Net Profit reaches € 7.9 million, i.e. a decrease compared to € 12.8 million reported as at 31 March 2018. The significant decrease is mainly linked to the profit of € 3.2 million on investments recorded in 2018 and to the greater tax burden for the 2019 financial year.

KEY EVENTS

There are no significant facts to be reported.

SUBSEQUENT EVENTS

No major events were recorded after the end of the quarter.

OUTLOOK

The macroeconomic scenario for the remaining part of 2019 continues to feature elements of uncertainty that were pointed out at the end of 2018, i.e. the Brexit effect, China-US relations, the geopolitical situation of some countries (Turkey and Venezuela), and the upcoming elections in Europe. It is still difficult to predict the impact of these elements on the European economic trend, the main end market for the RDM Group.

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 moderately positive. With respect to demand, we expect that April will be a particularly difficult month due to the simultaneity of various holidays at the end of the month. Growth is expected starting from May, in that we are entering a traditionally positive period as regards consumption.

The prices of **waste paper** should remain stable or decrease slightly over the next two quarters within an overall context featuring the persistence of restrictions imposed by the Chinese government on imports.

As regards **virgin fibers**, it is expected that prices, in the wake of the trend recorded starting from the last months of 2018, will continue to fall slightly until the summer and then stabilize, or the trend will invert depending on global demand and the development of economies.

With respect to **selling prices**, for the **WLC** segment, a slight downward trend is expected for the next quarter in April, linked to the trend in demand, with a substantial stability starting from May. In regard to the **FBB** segment, the price increases realized in the first quarter of 2019 are expected to consolidate.

Concerning **energy prices**, it is expected that the benefits deriving from the decrease in prices already occurred in the first quarter of 2019, in particular for gas and coal, will be achieved, especially in the second half of the year.

In 2019-2020, the **RDM Group** will continue to pursue the program of initiatives already launched in 2018, strengthening its leadership, optimizing production and improving the service offered to customers, in order to obtain the levels of profitability achieved in 2018 structurally stable over time. A section of the program will go through the integration of **RDM Barcelona Cartonboard S.A.U.** in view of the multi mill approach.

CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2019

Consolidated Income Statement	03.31.2019	03.31.2018
(thousands of Euros)		
Revenues from sales	183,706	157,627
Other revenues and income	2,436	1,574
Change in inventories of finished goods	2,173	(4,658)
Cost of raw materials and services	(140,995)	(113,116)
Personnel costs	(26,684)	(22,319)
Other operating costs	(1,575)	(986)
Gross operating profit	19,061	18,122
Depreciation and amortization	(7,096)	(5,361)
Operating profit	11,965	12,761
	<i>Financial expense</i>	(572)
	<i>Gains (losses) on foreign exchange</i>	(139)
	<i>Financial income</i>	
Net financial income/(expense)	(908)	(711)
Gains (losses) from investments	102	3,172
Taxes	(3,211)	(2,393)
Profit (loss) for the period	7,948	12,829
attributable to:		
Group's share of profit (loss) for the period	7,948	12,829
Minority interest in profit (loss) for the period		

Statement of Financial Position - ASSETS	03.31.2019	12.31.2018
(thousands of Euros)		
Non-current assets		
Tangible assets	244,128	245,900
Right-of-use	6,780	
Goodwill	4,845	4,845
Other intangible assets	13,476	13,745
Equity investments	798	694
Deferred tax assets	676	678
Other receivables	8,052	8,710
Total non-current assets	278,755	274,572
Current assets		
Inventories	109,156	107,138
Trade receivables	86,995	79,969
Other receivables	10,418	11,766
Cash and cash equivalents	40,705	31,180
Total current assets	247,274	230,053
TOTAL ASSETS	526,029	504,625

Statement of Financial Position - LIABILITIES AND SHAREHOLDERS' EQUITY	03.31.2019	12.31.2018
(thousands of Euros)		
Shareholders' equity		
Shareholders' equity attributable to the Group	202,504	194,818
Total shareholders' equity	202,504	194,818
Non-current liabilities		
Payables to banks and other lenders	77,893	75,858
Derivative instruments	768	488
Other payables		104
Deferred taxes	10,670	11,004
Employee benefits	32,779	32,778
Non-current provisions for risks and charges	4,557	4,634
Total non-current liabilities	126,667	124,866
Current liabilities		
Payables to banks and other lenders	22,414	20,354
Derivative instruments	580	296
Trade payables	134,518	130,409
Other payables	26,825	22,502
Current taxes	10,945	8,979
Current provisions for risks and charges	1,503	2,189
Employee benefits	73	212
Total current liabilities	196,858	184,941
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	526,029	504,625

Net financial position	03.31.2019	12.31.2018	Variation
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables	40,825	31,686	9,139
Short-term financial debt	(25,414)	(21,854)	(3,560)
Valuation of current portion of derivatives	(580)	(296)	(284)
Short-term net financial position	14,831	9,536	5,295
Medium-term financial debt	(77,892)	(75,858)	(2,034)
Valuation of non-current portion of derivatives	(768)	(488)	(280)
Net financial position	(63,829)	(66,810)	2,981

It is highlighted that starting from January 1, 2019 the new IFRS 16 “Leases” has been applied. According to the new IFRS, the remaining lease payments concerning the operative leases have to be recognized under financial liabilities.

Following the adoption of the new standard, as at March 31, 2019 were recorded higher financial liabilities amounting to €6.8 million; without this effect, the Net Financial Position would have been € 57 million.

NOTES

The Interim Report of RDM Group as at March 31, 2019 was prepared on the basis of Article 82, paragraph 1, of the Issuers' Regulations adopted by Consob Resolution 11971 of May 14, 1999, as subsequently amended and supplemented.

Thus, compliance with the requirement described in Article 154-*ter* of the Consolidated Finance Act is achieved with this report.

This Interim Report was not audited by the Independent Auditor.

ACCOUNTING PRINCIPLES

The statement of financial position and income statement were prepared in accordance with recognition criteria set by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to the procedure set forth in Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament of July 19, 2002.

The recognition and measurement criteria used to prepare the financial statements for the first quarter remain unchanged from those used to prepare the consolidated financial statements as at December 31, 2018 except for the new IFRS 16 applied starting from January 1, 2019.

The preparation of the Interim Report in accordance with IFRS requires the use of estimates and assumptions including through the use of operating data that have an impact on reported asset and liability amounts and on the disclosure of contingent assets and liabilities at the reporting date. Final results may differ from the estimates made. Estimates are used to measure the contribution of discontinued operations, provisions for doubtful receivables, inventory obsolescence, depreciation and amortization, asset write-downs, employee benefits, restructuring funds, taxes, other provisions and funds, and the valuation of derivative instruments. Estimates and assumptions are reviewed periodically, and the impact of any change is reflected immediately in the income statement, with the exception of derivatives.

The statement of financial position and income statement are stated in thousands of Euros.

WORK FORCE

As at March 31, 2019, RDM Group's staff consisted of 1,739 employees compared to 1,744 employees as at December 31, 2018.

STATEMENT OF EXECUTIVE RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL REPORTS PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1998 (CONSOLIDATED FINANCIAL ACT)

Luca Rizzo, the executive responsible for the preparation of the Company's financial reports, hereby states that pursuant to Article 154-*bis*, paragraph 2 of the Consolidated Finance Act, the accounting information contained in the Interim Report as at March 31, 2019 of Reno De Medici S.p.A. corresponds to information contained in documents, ledgers and accounting entries.

Milan, April 29, 2019

Signed
Luca Rizzo