# Interim Report
# 30.09.2019

**SALES: €536.6 MILLION**
**(COMPARED WITH €444.8 MILLION AS AT SEPTEMBER 30, 2018)**

**GROSS OPERATING PROFIT (EBITDA): €56.1 MILLION**
**(COMPARED WITH €49.8 MILLION AS AT SEPTEMBER 30, 2018)**

**OPERATING PROFIT (EBIT): €34.1 MILLION**
**(COMPARED WITH €32.9 MILLION AS AT SEPTEMBER 30, 2018)**

**NET RESULT FOR THE PERIOD: PROFIT OF €23.6 MILLION**
**(COMPARED WITH A PROFIT OF €24.7 MILLION AS AT SEPTEMBER 30, 2018)**

**NET FINANCIAL DEBT: €72.5 MILLION**
**(€66.8 MILLION 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

**CONTENTS**

## 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 |

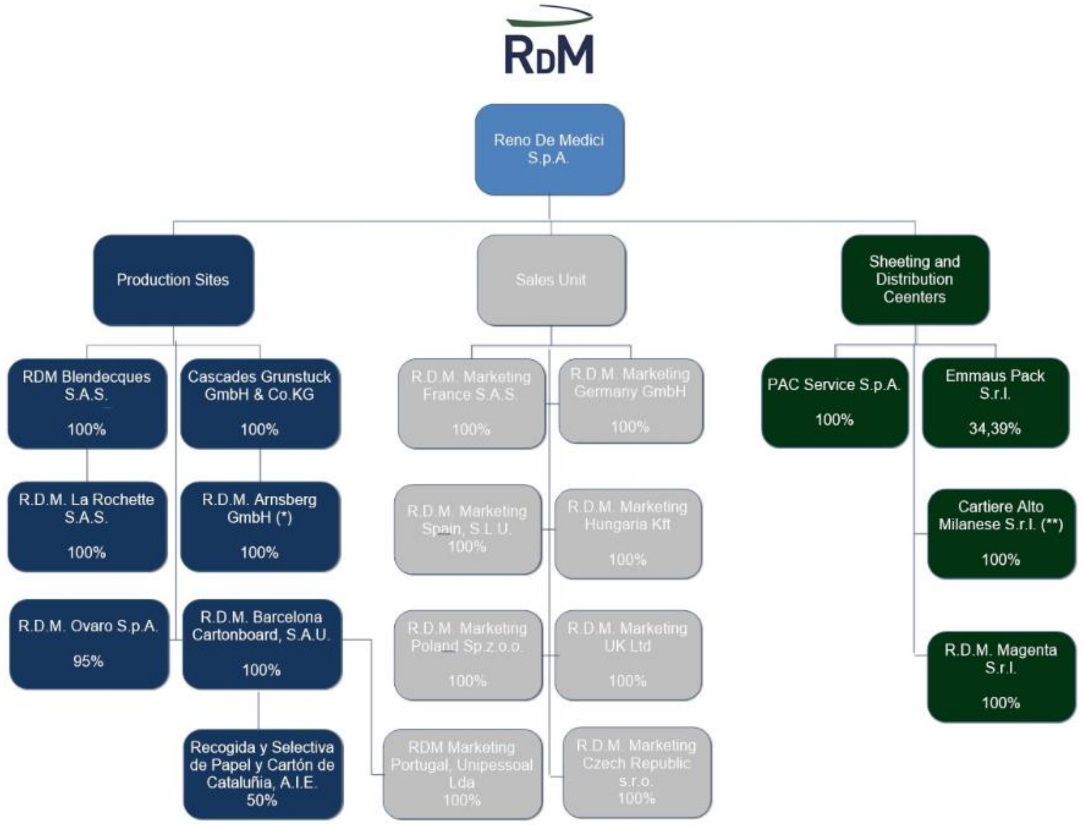
Board of Statutory Auditors

| | |
|---|---|
| Giancarlo Russo Corvace | Chairman |
| Giovanni Maria Conti | Statutory Auditor |
| Tiziana Masolini | Statutory Auditor |
| Francesca Marchiori | Alternate Auditor |
| Domenico Maisano | Alternate Auditor |

Independent Auditors

Deloitte & Touche S.p.A.

## GROUP OPERATING COMPANIES AS AT SEPTEMBER 30, 2019




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

## DIRECTORS' REPORT ON OPERATIONS

The RDM Group delivered excellent results in the third quarter of 2019 that were on a par with previous quarters. These results were achieved despite the decline in demand in H1 in the Group's main markets (caused by the gradual weakening of the main European economies in H1 2019) and general pressure on selling prices. However, a recovery in WLC demand in Q3 has essentially offset the drop-in demand recorded in the first six months of the year (H1). At the same time, the general economic situation also caused a drop in the cost of raw materials and energy.

In the first nine months of 2019, gross operating profit (EBITDA) amounted to €56.1 million compared with €49.8 million in the same period of 2018, while its ratio to sales was 10.5%, in line with the first half of 2019, but down compared with the same period of 2018 (11.2%); this mainly due to the inclusion of Barcelona Cartonboard S.A.U. in the consolidation scope.

Net profit amounted to €23.6 million compared with €24.7 million for the first nine months of 2018. The decline in net profit despite the increase in EBITDA was tied to a number of factors; one was the €3.2 million income from equity investments recorded in 2018; another, the greater incidence of depreciation and amortization mainly associated with Barcelona Cartonboard S.A.U.; and finally, higher finance expenses.

The results for the first nine months of 2019 include RDM Barcelona Cartonboard S.A.U., consolidated for the first time in the last quarter of 2018, which contributed to the EBITDA of €6.9 million and net profit of €3.5 million

In the first nine months of 2019, the RDM Group continued to implement and consolidate several projects launched during the previous financial year and aimed at mitigating the impact on the Group’s profitability caused by the cyclic nature of the sector in which it operates. The most important initiatives are those concerning the optimization of the production mix, the efficiency-based allocation of orders amongst various plants, cost reductions especially for raw materials, as well as price policies applicable in various markets to generate greater value. These initiatives, which have already yielded significant benefits in 2018, are in progress now and will continue for this year and the next with the aim of achieving and consolidating significant structural profitability enhancements thus leading to an improved financial position.

The first three quarters of 2019 also saw the start of the integration of RDM Barcelona Cartonboard S.A.U., which is expected to yield significant synergies during this year and the next. The synergies identified relate to various areas, including sales volumes, selling prices, geographical areas per product served, purchases, production efficiency gains and overheads.

Net financial debt at September 30, 2019 amounted to €72.5 million, up €5.6 million compared with December 2018 (€66.8 million). This increase is mostly attributable to the application of the new IFRS 16, which cost €13 million. Without this effect, the RDM Group's financial debt would have been €59.5 million, up €7.3 million compared with year-end 2018.

Gearing[1] improved from 0.26 to 0.25.

**BUSINESS STRATEGY**

The segment in which the RDM Group has traditionally operated, namely the WLC (White Lined Chipboard – paperboard coated packaging on a recycled base), which accounted for over 84% of consolidated turnover in the first three quarters of 2019, recorded a 0.3% increase in total demand compared with the same period of the previous year. The increase was fully attributable to the third quarter whereas the first half had shown a 0.7% decrease. The change in volumes differed in the Group's various markets of operation. In European markets, volumes rose in Italy (+0.2%), Spain (+4.2%) and other minor markets, while declining quite markedly in France (-4.5%), the U.K. (-4%) and Germany (-2.9%). Overseas markets declined, though moderately (-0.5%). Net of the increase in volumes due to the inclusion of Barcelona Cartonboard in the consolidation scope, RDM's performance was in line with the market (+0.2%). Almost all RDM's paper mills either kept pace with the market or, as with Barcelona and Santa Giustina, over-performed; the drop was almost entirely due to the Villa Santa Lucia plant, which experienced efficiency and quality issues at the beginning of the year. The problems were resolved in the first quarter of 2019 and volumes began to be recouped as early as the third quarter of 2019. Mention should also be made of the increase in RDM's overseas volumes (+13.4%) despite the contraction in the market (-

Gearing was calculated as the ratio between the net financial position / (net financial position + equity).

0.5%), thus validating a strategic decision to offset the decline in volumes against the markets of reference, above all for the Villa Santa Lucia plant.

In order to both protect and increase margins, RDM continues to optimize its order backlog through its new sales organization and to pursue a pricing policy designed to preserve existing margins.

Turning to the main production factors, following the sharp decrease in prices starting in September 2017 and the trough in March 2018 of the market's lowest level since the 2009 crisis, the price of paper for recycling did not change significantly in the subsequent quarters of 2018. In the first quarter of 2019, the price remained substantially stable with some downward movement. There was a further decline in prices in the third quarter of 2019, due in part to the weak demand typically seen during the summer. The downward trend in the price of recycled paper is due to the 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 thereby causing a decline in prices. To date, there are no indications of policy changes by the Chinese authorities who continue to drive towards the goal of zero imports starting from 2021.

The FBB segment (Folding Box Board - cartonboard for folding boxboard based on virgin fibers), which accounted for 16% of consolidated turnover, recorded a decline in market demand of 3.6%, compared with a reduction of 5.8% reported by the RDM Group. The EBITDA margin of the La Rochette plant (5.1% at September 2019) benefited from the price increase announced at the end of last year, together with the decrease in the cost of virgin raw materials. This allowed the FBB segment, which had been heavily penalized in 2018, to return to profit. Production volumes were slightly lower compared with the same period of the previous year. In the first nine months of 2019 volumes sold also declined (-5.7%), however in Q3 2019 improved relative to H1 2019. The decrease in volumes was mainly due to a downturn in market performance combined with La Rochette's aggressive pricing policy implemented earlier in the year.

The prices for virgin cellulosic fibers reached their peak in June 2018 (approximately USD 1,230/TON) and stabilized during the subsequent quarters. Starting from December 2018, the prices of both types of virgin fibers started to move downwards and continued to decline in the first quarter of 2019. After relative stability in the second quarter of 2019, prices underwent a further sharp decline in the third quarter. Short-term forecasts suggest substantial stability until December 2019 followed by price stabilization or a reversal of the trend, depending on global demand and economic performance.

The dynamics of sales prices and raw materials led to an average value added in the first nine months of 2019, and though this was higher than for the same period in the previous year it remains below the Group's average level.

After the substantial cost increases recorded in 2018, for natural gas, electricity, and coal **energy costs** showed a turnaround starting in the last quarter of the previous year. Negative growth expectations led to a halt of the upward trend in the last quarter and to a substantial reduction in prices, especially for gas and coal, in the first nine months of 2019, with a further significant decline in the third quarter. Thus, the positive impact in the first half of 2019 was weakened by the medium-term contracts agreed in the previous year. Encouraging trends emerged in the third quarter of 2019, with even better prospects for the fourth quarter of 2019.

## CAPITAL EXPENDITURE

In the first nine months of 2019, the Group's **capital expenditure** amounted to €18.6 million, compared with €16.5 million for the same period of 2018. Among the main capital expenditure in the first nine months of 2019 mention should be made of the refurbishment of parts of the gas turbine at the Barcelona plant, the new sheeter at the cutting center in R.D.M. Magenta and the launch of several strategic capital expenditure in 2019, such as the winder machine in Barcelona, the fiber recovery system in Ovaro and Villa Santa Lucia, the winding machine refurbishment, the board machine and the finishing department in Santa Giustina. The implementation of the new ERP system continues according to plan.

## NET FINANCIAL POSITION

**Consolidated net financial debt** at September 30, 2019 amounted to €72.5 million, an increase of €5.6 million compared with €66.8 million at December 31, 2018.
As mentioned above, the deterioration was primarily due to the application of the new IFRS 16 regulations, which mandates the recognition of financial liabilities relating to the different accounting treatment of operating leases and resulted in an additional cost of €13 million.
Without this effect, net debt improved by €7.3 million compared with December 2018.

Net operating cash flow amounted to €23.3 million. It allowed RDM to fund capital expenditures in the nine-month period, which amounted to €18.6 million (€17.8 million in the same period of 2018), and pay dividends for an overall amount of €2.6 million. Free cash flow was €5.6 million.

## CONSOLIDATED RESULTS

The following table summarizes key Income Statement indicators at September 30, 2019 and 2018.

| (€ thousands) | 30.09.2019 | 30.09.2018 |
|---|---|---|
| **Sales** | **536,606** | **444,762** |
| **GROSS OPERATING PROFIT (EBITDA) (1)** | **56,089** | **49,788** |
| **OPERATING PROFIT (EBIT) (2)** | **34,081** | **32,913** |
| **Pre-tax income (3)** | **31,139** | **34,529** |
| *Current and deferred taxes* | *(7,571)* | *(9,814)* |
| **Profit (Loss) for the period** | **23,568** | **24,715** |

1) See "Gross operating profit (EBITDA)" in the Consolidated Financial Statements of the RDM Group
2) See "Operating profit (EBIT)" in the Consolidated Financial Statements of the RDM Group
3) See "Profit (Loss) for the period" – "Taxes" in the Consolidated Financial Statements of the RDM Group

**Sales** amounted to €536.6 million compared with €444.8 million for the same period of the previous year. Net of the consolidation of RDM Barcelona Cartonboard S.A.U. (+€101.3 million), sales decreased by €9.5 million compared with the same period of the previous year. This reduction is related to a decline in selling prices.

**Tons sold** during the period by the RDM Group reached 894 thousand units, compared with 756 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 of October 31, 2018, and on the other hand, the slight decrease in like-for-like volumes sold in 2018. This decrease is mainly attributable to the aforementioned volume reduction recorded by the Villa Santa Lucia and La Rochette plants.

Compared with the third quarter of 2018, the **average selling prices** showed a decrease in the WLC segment, only partially offset by a strong increase in prices in the FBB segment.

The following table provides a breakdown of sales of cartonboard by geographical area:

| | 30.09.2019 | % of total | 30.09.2018 | % of total |
|---|---|---|---|---|
| (€ thousands) | | | | |
| Italy | 154,507 | 28.8% | 150,698 | 33.8% |
| EU | 308,813 | 57.5% | 240,887 | 54.2% |
| Non-EU | 73,286 | 13.7% | 53,177 | 12.0% |
| **Sales** | **536,606** | **100%** | **444,762** | **100%** |

**Other sales** amounted to €8.6 million, up €4 million compared with the same period of the previous year. The aforementioned improvement is due to the increase in the revenues from energy, partially offset by the reduction in interruptible sales, lower ordinary capital gains and lower insurance reimbursements recorded in the same period of the previous year.

**Cost for raw materials and services** amounted to €407 million, an increase of €78.6 million compared with the same period of the previous year as a result of the different scope of consolidation. Net of this effect, which had an impact of €82.7 million, this aspect was influenced by an average cost of waste paper and, especially, virgin fiber that was lower than for September 30, 2018. This positive effect was partially offset by higher energy costs due to the hedging contracts entered into in the previous year, mainly regarding gas supply, and to an increase in waste discharge fees.

**Personnel costs** amounted to €77.1 million, up €10.8 million compared with €66.3 million at September 30, 2018. The difference is mainly accounted for by the full consolidation of RDM Barcelona Cartonboard S.A.U.

**GROSS OPERATING PROFIT (EBITDA)** rose to €56.1 at September 30, 2019 compared with €49.8 million for the same period of the previous year and accounted for 10.5% of sales (11.2% in the same period of 2018).

**OPERATING PROFIT (EBIT)** amounted to €34.1 million compared with €32.9 million at September 30, 2018. Depreciation and amortization increased by €5.1 million, due mainly to the change in the scope of consolidation and the effect of the new IFRS 16 regulation, starting January 1, 2019, which mandates that costs for rentals and leases must be capitalized and depreciated.

**Net financial expense** was €3 million, up compared with €1.6 million for the third quarter of 2018, mainly due to the different scope of consolidation (+€0.8 million) and the financial expense recognized following the adoption of the new IFRS 16, which changed the accounting treatment of operating leases (+€0.3 million).

**Income from equity investments** amounted to €87 thousand compared with €3.2 million for the third quarter of 2018. The amount at 30 September 2018 included the valuation at *fair value* of the investment, equal to 33.33%, in PAC Service S.p.A. following the acquisition, in 2018, of the remaining share package, i.e. 66.67%, and the consequent change in the consolidation method from Net equity to Full consolidation method.

The amount allocated for **taxes** was €7.6 million euros, compared with €9.8 million euros at September 30, 2018. The change is attributable to a lower taxable income.

**Consolidated net profit** for the period was €23.6 million, a decrease compared with €24.7 million at September 30, 2018. The drop is accounted for by the €3.2 million income from equity investments recorded in 2018, the higher financial expense reported in 2019 and the lower provision for taxes.

## FINANCIAL PERFORMANCE THIRD QUARTER 2019

| (€ thousands) | III Q 2019 | III Q 2018 | Change | % Change |
|---|---|---|---|---|
| Sales | 174.371 | 136.845 | 37.526 | 27% |
| Other sales and income | 3.001 | 1.217 | 1.784 | 147% |
| Change in inventories of finished goods | (4.928) | 656 | (5.584) | -851% |
| | | | | |
| Cost of raw materials and services | (128.808) | (104.159) | (24.649) | 24% |
| Personnel costs | (24.631) | (20.949) | (3.682) | 18% |
| Other operating costs | (1.833) | (1.233) | (600) | 49% |
| | | | | |
| **Gross operating profit (EBITDA)** | **17.172** | **12.377** | **4.795** | **39%** |
| | | | | |
| Depreciation and amortization | (7.612) | (5.545) | (2.067) | 37% |
| | | | | |
| **Operating profit (EBIT)** | **9.560** | **6.832** | **2.728** | **40%** |
| | | | | |
| Net financial income/(expense) | (699) | (553) | (146) | 26% |
| Income (losses) from equity investments | - | - | - | 0% |
| | | | | |
| **Pre-tax income** | **8.861** | **6.279** | **2.582** | **41%** |
| | | | | |
| Taxes | (1.952) | (2.821) | 869 | -31% |
| | | | | |
| **Profit (Loss) for the period** | **6.909** | **3.458** | **3.451** | **100%** |

The results for the third quarter of 2019 showed a marked improvement compared with the same quarter of the previous year and included RDM Barcelona Cartonboard S.A.U., consolidated for the first time during the last quarter of 2018.

Net of the effect of Barcelona Cartonboard S.A.U., sales totaled €140 million, up 2.3% compared with the same quarter of the previous year, EBITDA was €14.7 million (+2.3 million compared with the same period of 2018), and net profit amounted to €5.8 million, up €2.3 million compared with the third quarter of 2018.

The sales increase was essentially attributable to higher sales volumes, which more than offset the lower average selling prices for the same quarter of 2018. The selling prices for the quarter were impacted by weak demand that RDM Group’s key markets recorded in the first half of 2019, as well as the decline already reported in the second half of 2018.

Sales volumes grew significantly (+4.5%) compared with the third quarter of 2018. The increase in volumes was essentially attributable to market weakness in the third quarter of the previous year and to the first sign of recovery recorded in the third quarter of 2019, particularly in September 2019.

The improved EBITDA compared with the third quarter of 2018 was mainly a result of the higher value added, arising from the combined effect of lower selling prices and reduced raw material costs (which more than offset the selling prices), and higher volumes. In the third quarter of 2019, lower energy costs started to generate effects, with possible further benefits in the last quarter of the year associated with the signing of medium-term contracts.

## 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 fourth quarter of 2019 continues to feature the elements of uncertainty that were pointed out in the Half-year Financial Report, i.e. the Brexit effect and its potential short-term impacts, China-US relations, and the geopolitical situation in some countries (Middle East and South America). This was further complicated by the situation in Turkey, which is one of the markets in which the RDM Group operates. It remains difficult to predict the medium-term impact of these elements on the economic trend in Europe, the main target market of the RDM Group.

RDM Group's short-term outlook remains positive in both the **White Lined Chipboard (WLC)** and **Folding Box Board (FBB)** market segments thanks to a modest recovery in demand and lower costs of both raw materials and energy. These factors are grounds for positive expectations in terms of profitability despite a competitive and increasingly challenging market scenario.

**Wastepaper** prices are expected to remain stable following the decline recorded in the third quarter, particularly given the continuing import restrictions imposed by the Chinese government on waste paper.

**Virgin fibers** are expected to remain essentially stable in the fourth quarter following the further decline in prices in the third quarter.

Tensions on **selling price** in the **WLC** segment are expected to continue in the coming quarter, affected to a greater or lesser degree by the weakness of demand, which is expected to be in line with the trends for the first nine months of 2019. In the **FBB** segment, prices are expected to remain stable, and while the substantial drop in the price of the virgin raw materials may affect this trend, the segment is expected to continue to show margins far below the Group's average.

The benefits of reduced **energy prices** that were partially evident in the third quarter of 2019, thanks to the cost reductions in the first nine months, particularly for gas and coal, are expected to continue to accrue in the coming quarter.

In 2019-2020, the **RDM Group** will continue to pursue its programme of initiatives originally launched in 2018. We will strengthen our market leadership, optimize production and improve customer service in order to ensure that the double-digit EBITDA margin achieved in 2018 is sustainable over time. One part of the program will include the “multi-mill” integration of **RDM Barcelona Cartonboard**, which will fully contribute to the results in 2019, including potential synergies captures.

## CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

| Consolidated Income Statement | 30.09.2019 | 30.09.2018 |
|---|---|---|
| **(€ thousands)** | | |
| Sales | 536,606 | 444,762 |
| Other sales and income | 8,596 | 4,589 |
| Change in inventories of finished goods | (340) | (975) |
| Cost of raw materials and services | (407,097) | (328,524) |
| Personnel costs | (77,119) | (66,306) |
| Other operating costs | (4,557) | (3,758) |
| **Gross operating profit (EBITDA)** | **56,089** | **49,788** |
| Depreciation and amortization | (22,008) | (16,875) |
| **Operating profit (EBIT)** | **34,081** | **32,913** |
| *Financial expense* | (3,351) | (1,626) |
| *Gains (losses) on foreign exchange* | 225 | 60 |
| *Financial income* | 97 | 10 |
| Net financial income/(expense) | (3,029) | (1,556) |
| Income (losses) from equity investments | 87 | 3,172 |
| Taxes | (7,571) | (9,814) |
| **Profit (Loss) for the period** | **23,568** | **24,715** |
| Attributable to: | | |
| Group's share of profit (loss) for the period | 23,568 | 24,715 |
| Minority interest in profit (loss) for the period | | |

| Statement of Financial Position - ASSETS | 30.09.2019 | 31.12.2018 |
|---|---|---|
| **(€ thousands)** | | |
| | | |
| ***Non-current assets*** | | |
| Property, plant and equipment | 241,530 | 245,900 |
| Right-of-use assets | 12,867 | |
| Goodwill | 4,845 | 4,845 |
| Other intangible assets | 13,364 | 13,745 |
| Equity investments | 706 | 694 |
| Deferred tax assets | 658 | 678 |
| Other receivables | 5,295 | 8,710 |
| | | |
| **Total non-current assets** | **279,265** | **274,572** |
| | | |
| **Current assets** | | |
| Inventories | 106,437 | 107,138 |
| Trade receivables | 93,123 | 79,969 |
| Other receivables | 16,291 | 11,766 |
| Derivative instruments | 738 | |
| Cash and cash equivalents | 24,075 | 31,180 |
| | | |
| **Total current assets** | **240,664** | **230,053** |
| | | |
| **TOTAL ASSETS** | **519,929** | **504,625** |

| Statement of Financial Position - EQUITY AND LIABILITIES | 30.09.2019 | 31.12.2018 |
|---|---|---|
| **(€ thousands)** | | |
| **Equity** | | |
| Equity attributable to the Group | 215,680 | 194,818 |
| **Total equity** | **215,680** | **194,818** |
| **Non-current liabilities** | | |
| Payables to banks and other lenders | 68,489 | 75,858 |
| Derivative instruments | 1,134 | 488 |
| Other payables | | 104 |
| Deferred tax liabilities | 9,392 | 11,004 |
| Employee benefits | 32,549 | 32,778 |
| Non-current provisions | 4,167 | 4,634 |
| **Total non-current liabilities** | **115,731** | **124,866** |
| **Current liabilities** | | |
| Payables to banks and other lenders | 27,208 | 20,354 |
| Derivative instruments | 542 | 296 |
| Trade payables | 125,335 | 130,409 |
| Other payables | 25,241 | 22,502 |
| Current taxes | 9,398 | 8,979 |
| Current provisions | 775 | 2,189 |
| Employee benefits | 19 | 212 |
| **Total current liabilities** | **188,518** | **184,941** |
| **TOTAL EQUITY AND LIABILITIES** | **519,929** | **504,625** |

| Net financial position | 30.09.2019 | 31.12.2018 | Change |
|---|---|---|---|
| **(€ thousand)** | | | |
| Cash, cash equivalents and short-term financial receivables | 24,186 | 31,686 | (7,500) |
| Short-term financial debt | (27,208) | (21,854) | (5,354) |
| Valuation of current portion of derivatives | 196 | (296) | 492 |
| **Short-term net financial position** | **(2,826)** | **9,536** | **(12,362)** |
| Medium-term financial debt | (68,493) | (75,858) | 7,365 |
| Valuation of non-current portion of derivatives | (1,134) | (488) | (646) |
| **Net financial position** | **(72,453)** | **(66,810)** | **(5,643)** |

It should be noted that on January 1, 2019 the Group adopted a new regulation, IFRS 16 – *Leases*, which requires any lease payments relating to operations to be recognized as a financial liability. As a result of the adoption of the new standard, an increase in financial liabilities of €13 million was recognized at September 30, 2019; net of this effect, the Net Financial Position would have amounted to €59.5 million.

## NOTES

The Interim Report of the RDM Group at September 30, 2019 was prepared on the basis of Article 82, paragraph 1, of the Issuers' Regulations adopted by Consob Resolution 11971 of May 14, 1999, and as subsequently amended and supplemented.
This report therefore ensures compliance with the requirement set out in Article 154-*ter* of the Consolidated Financial Law.

This Interim Report has not been audited by the Independent Auditors.

## ACCOUNTING PRINCIPLES

The Statement of Financial Position and the Income Statement were prepared in accordance with the recognition criteria established 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 third quarter remain unchanged compared with those used to prepare the Consolidated Financial Statements at December 31, 2018, with the exception of the new IFRS 16, which entered into force on January 1, 2019.

The preparation of the IFRS-compliant Interim Report requires the use of estimates and assumptions based on historical operating data. This is a factor that has an impact on reported assets and liabilities 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 the Income Statement are reported in thousands of Euros.

## WORKFORCE

At September 30, 2019, RDM Group's workforce numbered 1,767, compared with 1,744 at December 31, 2018.

**STATEMENT OF THE 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 LAW)**

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 Financial Law, the accounting information contained in the Interim Report as at September 30, 2019 of Reno De Medici S.p.A. corresponds to the information contained in documents, ledgers and accounting entries.

Milan, November 4, 2019

Signed

Luca Rizzo