



Press release

This document contains the “Additional periodic financial information” that the Company makes available to the public, also in compliance with its regulatory obligations as an issuer listed on the STAR segment of Borsa Italiana.

The structure and content of the information contained in this document are unchanged relative to the Interim Reports already published, also in compliance with Article 154-ter, paragraph 5, of the Consolidated Financial Law.

The Board of Directors approves the Interim Report at December 31, 2019

EBITDA MARGIN AT 10.3% REFLECTS STRENGTHENED OPERATING EFFICIENCIES NET PROFIT REFLECTS THE WRITE-DOWN OF THE FIXED ASSETS OF THE SUBSIDIARY “LA ROCHETTE” FOR €9.5 MILLION

- **CONSOLIDATED NET SALES OF €701.6 MILLION, UP 15.8% COMPARED WITH €606 MILLION AT DECEMBER 31, 2018¹, THANKS TO THE CONTRIBUTION OF RDM BARCELONA CARTONBOARD, CONSOLIDATED AS OF NOVEMBER 1, 2018.**
- **CONSOLIDATED EBITDA OF €72.4 MILLION, UP 14.6% COMPARED WITH €63.1 MILLION AT DECEMBER 31, 2018.**
- **CONSOLIDATED EBIT OF €30.4 MILLION, DOWN (-22.6%) COMPARED WITH €39.3 MILLION AT DECEMBER 31, 2018, MAINLY DUE TO THE WRITE-DOWN OF THE FIXED ASSETS OF THE SUBSIDIARY “LA ROCHETTE” FOR €9.5 MILLION.**
- **CONSOLIDATED NET PROFIT OF €15.6 MILLION, DOWN COMPARED WITH €28.4 MILLION AT DECEMBER 31, 2018 (-45%).**
- **NET FINANCIAL DEBT OF €52 MILLION (€66.8 MILLION AT DECEMBER 31, 2018).**

Milan, February 14, 2020 - The Board of Directors of Reno De Medici S.p.A., which met today under the chairmanship of Eric Laflamme, examined and approved the Interim Report at December 31, 2019.

Michele Bianchi, CEO of the RDM Group commented:

“In a far from simple market context, we recorded an EBITDA margin of 10.3% in 2019, continuing along our successful path of making the double-digit profitability achieved in 2018 structurally stable over the cycle.

The initiatives implemented over the past two years to optimize operations have proved essential in enabling us to best face the 2019 competitive scenario, which continues to be particularly challenging in the FBB segment, given the over-supply and increasingly specialized quality requirements. The write-down of the fixed assets of our French subsidiary, La Rochette, was in response to such a challenging environment in the FBB sector.

The strong cash generation that has always characterized the Group, allowed net financial debt to decrease by almost €15 million, taking the Debt/EBITDA ratio to 0.72x, despite a year marked by significant capital expenditure.

¹ Data at December 31, 2018 were restated due to the completion of Purchase Price Allocation of R.D.M. Barcelona Cartonboard S.A.U.

In 2020 — said the CEO — we will remain confident and continue to pursue our strategy of strengthening leadership and optimizing production based on the multi-mill concept. In the meantime we will continue to reap ever-increasing benefits from the Barcelona Cartonboard integration process.”

Group’s performance at December 31, 2019

In Q4 2019, the WLC sector consolidated the positive demand recorded in the previous quarter, albeit at a slower rate and with downward pressure on selling prices. In this context, RDM increased the volumes sold in 2019 thanks to a full year’s contribution from the consolidation of Barcelona Cartonboard. In contrast, the FBB segment showed an overall decline of -3.3% relative to the previous year: within this highly competitive and challenging environment, RDM underperformed and reported a decline in volumes of -6.6%. At a consolidated level, reduction in the cost of raw materials and greater efficiencies in the use of both fibers and energy, leveraging on past capital expenditure, enabled the Group to maintain the spread at satisfactory levels, resulting in a double-digit EBITDA margin in 2019 as well.

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. Following the initial signs of recovery observed in Q3 2019, market demand continued to rise in terms of volumes and reached a high of +0.7% at the end of December 2019 compared with the same period for 2018. At the European level, some key differences persisted between countries reporting growth (Spain +2.5%; Eastern Europe +2.2%; Italy +0.6%) and countries where demand continued to decrease (France -3.9%; UK -3.2%; Germany -2.5%). With regard to RDM, the Group maintained stable volumes at an organic level compared with 2018, despite the dynamic differences between the various markets. Downward pressure on selling prices continued and had a greater impact in countries with a declining demand, as opposed to Italy and Spain, which benefited from more sustained order intake. In Q4 2019 overseas markets continued to show a sharper decline in selling prices, which was partially offset by the increased volumes that RDM achieved in this area.

In Q4 2019 the cost of recycled paper, a key factor in production, after a period of substantially stability in first half of the year, confirmed the downward trend begun in the previous quarter. EBITDA thus benefited from lower costs compared with 2018 as a result of both price trends and consolidated operating efficiencies in the use of raw materials and energy. In 2019, energy costs declined compared with 2018, particularly for the second half of the year.

FBB segment (Folding Box Board - cartonboard for folding boxboard based on virgin fibers) accounted for 16% of RDM’s consolidated sales. In 2019, industry-wide market demand shrank (-3.3%) in terms of volumes compared with 2018. The downward trend of virgin pulp costs continued, as did the efficiency in their use and in biomass energy generation.

Despite the reduction of tons sold (-6.4%), the contribution of the FBB segment to the Group’s EBITDA improved relative to 2018. EBITDA margin was 5.2% (compared with -0.3% for 2018), thanks to the higher spread between selling prices and cost of raw materials combined with production efficiencies. Notwithstanding the improved performance in 2019 financials, prospectively, the competitiveness of La Rochette’s mill appears weak, mainly due to the new market conditions. Therefore, the fixed assets of the French subsidiary were written-down for a total of 9.5 million.

The Group's net profit, which amounted to €15.6 million, down compared with €28.4 million at December 31, 2018 (-45%), reflects mainly the write-down of the fixed assets of the subsidiary La Rochette plus higher D&A of Barcelona Cartonboard and higher financial expenses, both partly offset by the positive EBITDA performance and lower tax burden. At December 31, 2018, consolidated net profit benefited from an income of €4.4 million from equity investments, mainly as a result of the PAC Service S.p.A fair value evaluation which amounted to €3 million.

In 2019, the Group's scope of consolidation included RDM Barcelona Cartonboard, with effect from November 1, 2018. Before intercompany eliminations, RDM Barcelona Cartonboard contributed €8.2 million to EBITDA and €-0.5 million to net profit. The subsidiary's results were in line with the Integration Plan set out at the time of its acquisition.

The main consolidated Income Statement figures at December 31, 2019 follows:

Net consolidated sales amounted to €701.6 million compared with €606 million for 2018. Net of the consolidation of RDM Barcelona Cartonboard S.A.U. (+€110.9 million), sales decreased by €15.3 million compared with the previous year. The decrease is attributable to the combined effect of lower selling prices in the WLC segment particularly in the second half of the year, and the decrease in FBB volumes.

In 2019, **volumes sold** stood at 1,174 thousand tons (figure includes Barcelona Cartonboard for the twelve months) compared with 1,020 thousand tons for 2018.

In terms of geographical markets, following the acquisition of Barcelona Cartonboard, the pro-rata contribution of Italian sales dropped from 33% to 29% of Group sales despite the fact that in absolute terms Italian sales were actually higher due to the increase in volumes sold in this market (€203.2 million compared to €200.1 million for 2018). Europe continued to represent the RDM Group's core market as its contribution increased from 55% (€333.2 million) to 57% (€401.2 million). Sales to the rest of the world also grew from 12% (€72.7 million) to 14% (€97.2 million) as a result of the exports that RDM Barcelona has always performed to these markets and the strategic decision to increase overseas exports in order to offset the decrease in volumes in some European markets.

The **cost of raw materials and services** amounted to €533.4 million compared to €459.4 million for 2018, up €74 million mainly due, in absolute terms, to the consolidation of Barcelona Cartonboard. Net of this effect, which had an impact of €90 million, the average cost of recycled paper, and virgin fibers in particular, was lower than in 2019. The only cost item that increased compared to the previous year was the cost of waste disposal.

In 2019, **personnel costs** were €104.1 million. The €13.3 million increase compared to €90.8 million for 2018 is chiefly a function of the inclusion of RDM Barcelona Cartonboard in the consolidation.

In 2019, **gross operating profit (EBITDA)** was €72.4 million compared to €63.1 million for 2018 (+14.6%). EBITDA margin was 10.3%, in line with 10.4% for 2018.

Operating profit (EBIT) amounted to €30.4 million, down (-22.6%) compared with €39.3 million at the end of December 2018, mainly as a result of the write-down of La Rochette's fixed assets for €9.5 million. The higher D&A reflects the expansion of the scope of consolidation to include Barcelona Cartonboard and the effect of the

application, effective January 1, 2019, of the new IFRS 16 whereby the rentals and lease costs must be capitalized and depreciated.

Consolidated net profit for the period was €15.6 million, a decrease compared with €28.4 million at December 31, 2018 (-45%). As stated above, net profit reflects the write-down of La Rochette's fixed assets for €9.5 million plus higher D&A and financial expenses for Barcelona Cartonboard partly offset by the positive EBITDA performance and lower tax burden. At December 31, 2018, consolidated net profit benefited from an income of €4.4 million from equity investments, mainly as a result of the PAC Service S.p.A fair value evaluation amounting to €3 million.

Consolidated net financial debt at December 31, 2019 amounted to €52 million, down €14.8 million compared to December 31, 2018 (€66.8 million). This decrease was mainly attributable to the increased EBITDA and was achieved despite the application of the new IFRS 16, which had a negative impact of €12.5 million. Net operating cash flow amounted to nearly €60 million and allowed RDM to fund **capital expenditure** of €29.8 million (€24.4 million in 2018) and dividends of €2.6 million during the period.

Outlook

RDM Group's short-term outlook remains positive in our core business (White Lined Chipboard - WLC) 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 challenging market scenario, particularly with regard to the demand trend. As for our FBB segment, we are more concerned about demand trend and profitability expectations due to a more competitive market environment.

Subsequent events

Since 7 February 2020, the cartonboard production at the Villa Santa Lucia mill has been temporarily stopped, following the seizure of the wastewater treatment plant of Cosilam consortium by the competent judicial authority. The stop has had no material impact so far, as in the meantime the Company has undertaken measures to meet clients' needs.

RDM Group has started a dialogue with the different involved parties for a prompt resolution.

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.

From today, the Interim Report at December 31, 2019 will be available at the Company's registered office in Milan, Viale Isonzo 25, and on the corporate website www.rdmgroup.com (Investor Relations/Financial statements and reports). It will also be searchable on the authorized storage system accessible at the site www.emarketstorage.com.

Attached:

- Consolidated Income Statement at December 31, 2019
- Consolidated Statement of Financial Position at December 31, 2019
- Consolidated Net Financial Position at December 31, 2019

For further information

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Consolidated Income Statement at December 31, 2019

Consolidated Income Statement	31.12.2019	31.12.2018 (*)	
(€ thousands)			
Sales	701,591	605,980	
Other sales and income	10,604	6,319	
Change in inventories of finished goods	3,637	6,282	
Cost of raw materials and services	(533,446)	(459,415)	
Personnel costs	(104,132)	(90,847)	
Other operating costs	(5,899)	(5,206)	
Gross operating profit (EBITDA)	72,355	63,113	
Depreciation, amortization and write-downs	(41,937)	(23,810)	
Operating profit (EBIT)	30,418	39,303	
	<i>Financial expense</i>	(5,808)	(2,508)
	<i>Gains (losses) on foreign exchange</i>	123	23
	<i>Financial income</i>	311	41
Net financial income/(expense)	(5,374)	(2,444)	
Income (losses) from equity investments	179	4,414	
Taxes	(9,626)	(12,906)	
Profit (Loss) for the year	15,597	28,367	
Attributable to:			
Group's share of profit (loss) for the year	15,597	28,367	
Minority interest in profit (loss) for the year			

(*) Data include the effect generated by the completion of R.D.M. Barcelona Cartonboard S.A.U.'s Purchase Price Allocation.

Consolidated Statement of Financial Position at December 31, 2019

Statement of Financial Position - ASSETS	31.12.2019	31.12.2018 (*)
(€ thousand)		
Non-current assets		
Property, plant and equipment	232,586	245,900
Right-of-use assets	12,371	
Goodwill	4,389	4,389
Other intangible assets	16,368	15,917
Equity investments	810	694
Deferred tax assets	389	678
Other receivables	5,518	8,710
Total non-current assets	272,431	276,288
Current assets		
Inventories	108,948	107,138
Trade receivables	77,129	79,969
Other receivables	16,552	11,766
Derivative instruments		
Cash and cash equivalents	40,382	31,180
Total current assets	243,011	230,053
TOTAL ASSETS	515,442	506,341

(*) Data include the effect generated by the completion of R.D.M. Barcelona Cartonboard S.A.U.'s Purchase Price Allocation.

Statement of Financial Position - EQUITY AND LIABILITIES	31.12.2019	31.12.2018 (*)
(€ thousands)		
Equity		
Equity attributable to the Group	205,478	195,991
Total equity	205,478	195,991
Non-current liabilities		
Payables to banks and other lenders	63,986	75,858
Derivative instruments	752	488
Other payables		104
Deferred tax liabilities	8,660	11,547
Employee benefits	36,410	32,778
Non-current provisions	4,221	4,634
Total non-current liabilities	114,029	125,409
Current liabilities		
Payables to banks and other lenders	25,610	20,354
Derivative instruments	2,211	296
Trade payables	141,209	130,409
Other payables	23,053	22,502
Current taxes	2,884	8,979
Current provisions	870	2,189
Employee benefits	98	212
Total current liabilities	195,935	184,941
TOTAL EQUITY AND LIABILITIES	515,442	506,341

(*) Data include the effect generated by the completion of R.D.M. Barcelona Cartonboard S.A.U.'s Purchase Price Allocation.

Consolidated Net Financial Position at December 31, 2019

Net financial position	31.12.2019	31.12.2018	Change
(€ thousands)			
Cash, cash equivalents and short-term financial receivables	40,529	31,686	8,843
Short-term financial debt	(25,610)	(21,854)	(3,756)
Valuation of current portion of derivatives	(2,211)	(296)	(1,915)
Short-term net financial position	12,708	9,536	3,172
Medium-term financial debt	(63,986)	(75,858)	11,872
Valuation of non-current portion of derivatives	(752)	(488)	(264)
Net financial position	(52,030)	(66,810)	14,780