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, 2020

RDM GROUP'S EBITDA AT €83.8 MILLION
NET PROFIT MORE THAN DOUBLED TO €33.6 MILLION

- **CONSOLIDATED NET SALES AT €679.5 MILLION, DOWN 3.2% COMPARED WITH €701.6 MILLION AT DECEMBER 31, 2019.**
- **CONSOLIDATED EBITDA AT €83.8 MILLION, UP 15.8% COMPARED WITH €72.4 MILLION AT DECEMBER 31, 2019.**
- **CONSOLIDATED EBIT AT €47 MILLION, UP 54.4% COMPARED WITH €30.4 MILLION AT DECEMBER 31, 2019.**
- **CONSOLIDATED NET PROFIT AT €33.6 MILLION, UP 115.1% COMPARED WITH €15.6 MILLION AT DECEMBER 31, 2019.**
- **NET FINANCIAL DEBT DOWN TO €8.9 MILLION (€52 MILLION AT DECEMBER 31, 2019).**

Milan, February 15, 2021 - The Board of Directors of Reno De Medici S.p.A. examined and approved the Interim Report at December 31, 2020.

Michele Bianchi, CEO of the RDM Group, commented:

"Our results for the 12 months of 2020, with EBITDA margin at 12.3% and net profit more than doubled to €33.6 million, confirm we succeeded in achieving structurally strong and resilient operating margins, even in the different economic scenarios we faced over the past four years, including the last one, which was highly impacted by the Covid-19 emergency.

The year 2020 showed even more clearly that essentiality, circularity and sustainability are key features of RDM business. Our leadership enables us to leverage on these strengths, continuing on our growth and consolidation path with confidence.

Over the next few years, we will focus on three strategic directions, with the aim to further improving our long-term performance: we will review RDM Barcelona Cartonboard's integration plan in light of the announced acquisition of Paprinsa in Spain to fully benefit from the multi-mill approach; we will strengthen our operating efficiencies through Lean Manufacturing plans, including at the customer service level; and we will implement a digitalization plan that will transform the Group end-to-end way of working.

Let me congratulate the entire management team and all the people of RDM Group for the cohesion and commitment they have shown, thus guaranteeing the business continuity, even in the most critical moments. We are also grateful to our customers, who have continued to demonstrate their satisfaction with our products. For us, this is the most convincing proof of the effectiveness of the work done over the past few years."

Group's performance at December 31, 2020

In 2020, the market demand trend was favorable, more moderate in the WLC segment and more marked in the FBB segment. The RDM Group was able to take advantage of this trend by leveraging the essential nature of its products, mainly targeted to the agri-food and pharmaceutical sectors. Overall, the Group's volumes remained stable due to the reduced production at both the Ovaro plant, attributable to the weaker demand in the non-food and graphical applications sectors, and the Villa Santa Lucia plant, for causes not under the control of the Group. The decrease in Consolidated Net Sales (-3.2%) was therefore the result of stable volumes and lower selling prices than those applied in 2019. EBITDA margin amounted to 12.3% at the end of December 2020, up compared with 10.3% for 2019, thanks to favorable input costs, which prices for both recycled and virgin fibers, as well as energy, were lower compared with 2019. The increase in EBITDA margin generated a significant growth in the Group's Net Profit (+115.1%), thanks to lower write-downs and net financial expense, which fully offset higher taxes.

Group's performance in the WLC segment at December 31, 2020

The RDM Group's core business, **WLC** (White Lined Chipboard segment – coated paperboard for packaging based on recycled fibers) accounted for 83% of consolidated sales. In the second half of 2019, **market demand** entered in a **positive trend** that gained momentum in early 2020 and was supported, at the beginning of the Covid-19 pandemic, by increased demand for food packaging and concerns among packaging manufacturers of future shortages in the cartonboard supply chain. In the second half of 2020, this trend was partially reversed as several clients implemented destocking strategies for the inventories built up in previous months. Overall, in 2020 market demand in terms of volumes was in line with 2019 (-0.1%).

Within this environment, the **volumes sold by RDM** at the end of December 2020 were in line with the same period of 2019 (-0.1%). As already discussed in previous Reports, cartonboard production continued despite the Covid-19 pandemic, as it is an essential component of various types of packaging, primarily in the agri-food and pharmaceutical sectors, which represent the main end market for RDM's products. By contrast, demand declined in the non-food and graphical applications sectors, resulting in the need to plan stoppages at the Ovaro plant in the first half of the year, followed by a moderate recovery in the second half of 2020. In addition, the performance in terms of volumes was also affected by the halt at the Villa Santa Lucia plant in the first quarter, following the seizure of Cosilam Consortium's wastewater treatment plant by the competent judicial authority.

Turning to the **main production factors**, in 2020 the **cost of paper for recycling** were overall lower than those for the previous year. In the reporting year, the cost opened the period at the lowest levels reached in late 2019 to then suddenly increase in April and May, as a result of the reduced supply due to the measures implemented by various countries to contain the spread of the Covid-19 pandemic. In the second half of the year, the trend reversed its course following the increase of recycled paper supply linked to the reopening of many industrial and commercial businesses. The fourth quarter was marked by a further upward trend of the cost of paper for recycling, due to the increasing demand in the containerboard driven by the growth of e-commerce.

At the level of **energy costs**, in 2020 RDM continued to reap the greater benefits of its forward purchasing policy and recorded lower energy costs compared with the same period of 2019.

The **selling prices** of the RDM Group in 2020 were lower than those charged in the same period of 2019, as a result of the downtrend which began in the second half of 2019 and the low cost of raw materials. The decrease in Consolidated Net Sales reflects the Group's lower selling prices.

<u>Group's performance in the FBB segment at December 31, 2020</u>

The **FBB segment** (Folding Box Board - cartonboard for folding boxboard based on virgin fibers) accounted for 17% of RDM's consolidated sales. With regard to this segment, in the fourth quarter of 2020 **demand** continued the uptrend that began in previous quarters, with volumes up +5% at the end of December 2020 compared with the same period of 2019.

Virgin pulp costs remained lower than in the same period of 2019, confirming the downward trend that had emerged in the second half of 2018 and essentially stabilized in 2020.

In 2020, **energy cost** decreased compared with 2019.

In the context of steady robust demand, the French subsidiary La Rochette outperformed the market, increasing by 8.3% the tons sold in 2020 compared with 2019. The volume increase offset the decline in **selling prices** compared with 2019 and, together with the favorable price trend of virgin fibers and energy, led to the increase of the FBB segment's contribution to the Group's **EBITDA**.
A put option agreement for the sale of 100% of La Rochette's share capital was signed today. The Consolidated operating profit (EBIT) at December 31, 2020 therefore included a €3.7 million write-down arising from the transaction. For further information, reference should be made to the press release published today by Reno De Medici S.p.A..

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Given such a positive context in terms of demand and evolution of the main production factors, the Group's **EBITDA margin** accelerated, fueled by several efficiency and integration programs launched by RDM at the beginning of 2017. Overall EBITDA margin stood at **12.3%** at the end of 2020 compared with 10.3% for 2019.

The **Group's Net Profit**, which amounted to €33.6 million, grew compared with €15.6 million at December 31, 2019 (+115.1%). It reflects the positive EBITDA performance (+€11.5 million) and lower financial expense (€4.1 million) that fully offset higher taxes (€2.8 million). The increase in net profit was also attributable to the decline in write-downs, depreciation and amortization (€5.1 million). In detail, the 2019 result had included some write-downs for a total amount of €10.3 million, of which €9.5 million regarding the fixed assets of La Rochette, whereas 2020 included €5.2 million write-downs, of which €3.7 million arising from the put option agreement regarding La Rochette and €1.5 million from the sale of the land located in Boffalora Sopra Ticino (former Magenta paper mill) by notarial deed on February 11, 2021.

Main consolidated Income Statement figures at December 31, 2020:

Consolidated Net Sales amounted to €679.5 million compared with €701.6 million for the previous year. The €22.1 million decline compared with the previous year was mainly attributable to the decrease in average selling prices. **Tons sold** by the RDM Group at December 31, 2020 reached 1,184 thousand units compared with 1,174 thousand units in 2019.

In terms of geographical markets, the pro-rata contribution of sales was in line with December 31, 2019. Europe continued to represent the RDM Group's core market, accounting for 57% in both reporting years (€386.7 million in 2020 compared with €401.2 million in 2019). Italian sales accounted for 30% (€202 million) compared with 29% (€203.2 million) at December 31, 2019. Sales to the rest of the world stood at 13% (€90.8 million) compared with 14% (€97.2 million) in 2019.

The **cost for raw materials and services** amounted to €484.5 million, down €48.9 million compared with the previous year (€533.4 million). This item benefited from the positive trend reported by both recycled and virgin fibers and energy sources, in particular natural gas which represents the RDM Group's main component.

Personnel costs amounted to €108 million, up €3.9 million compared with 2019 (€104.1 million). This change was attributable to the contractual increases, the productivity improvement, as well as the accrual in the period of the 2020-2022 incentive plans for top management based on performance phantom shares and stock grants.

At December 31, 2020, **Gross Operating Profit (EBITDA)** stood at €83.8 million compared with €72.4 million for the same period of 2019 (+15.8%). The Group's EBITDA margin was 12.3%, up compared with 10.3% for 2019.

Consolidated operating profit (EBIT) amounted to €47 million, up (+54.4%) compared with €30.4 million at the end of December 2019. As described above, this item benefited from lower write-downs for €5.1 million.

The **Group's Net Profit**, which amounted to €33.6 million, grew compared with €15.6 million at December 31, 2019 (+115.1%). It reflects the positive EBITDA (+€11.5 million), lower depreciation, amortization and write-downs (€5.1 million) and lower financial expense (€4.1 million), that fully offset higher taxes (€2.8 million).

Consolidated Net Financial Debt at December 31, 2020 amounted to €8.9 million, down €43.2 million compared with €52 million at December 31, 2019. The decline in this item was essentially due to the high EBITDA recorded and slightly to the decrease in working capital following the reduction in inventories, mainly of finished products. Signing new lease contracts under the purposes of IFRS 16 had a negative impact of about €3 million. In 2020, cash flows were impacted very marginally by non-payment or deferred payment by customers as a result of the Covid-19 emergency. Among financial transactions, worth of notice are the payment of dividends (€3 million) and the purchase of Friulia S.p.A.'s stake in R.D.M. Ovaro S.p.A. (€0.7 million).

In 2020, the Group's **capital expenditure** amounted to €21.9 million, compared with €29.8 million in 2019. With respect to the same period of the previous year, capital expenditure was impacted, and therefore slowed down, by the Covid-19 emergency due to the restricted mobility. Major investments included pulp preparation and gas turbine at the Villa Santa Lucia mill, and the first step for the Santa Giustina's boiler. On November 1, 2020, the new ERP system was launched at the Ovaro plant, whereas its implementation among the other Group companies has been continuing.

Outlook

The current situation is still characterized by the second wave of the health emergency. Its length and possible effects are obviously difficult to predict.

The new health emergency clearly makes it even more difficult to foresee the length of the recession triggered by the outbreak of the pandemic in March 2020 and its effects on the global economy. The positive impact arising from measures in support of the economy implemented by the European Community and their possible effects on the current recession is not yet clear.

Our good volume performance in 2020, mainly due to the essential nature of our products, the ability we have shown in managing the emergency and ensuring continuity of production and our positive volume performance in the fourth quarter of 2020 in the peak of the second wave allow us to exclude negative effects in terms of volume in the first part of the year.

In the RDM Group's core business, **White Lined Chipboard** (WLC), the short-term outlook (first quarter 2021) is marked by the uncertainties linked to the evolution of selling prices and main variable costs. After rising sharply in the second quarter of 2020 as a result of lower collection, and decreasing in the third quarter of 2020, the prices of recycled paper further grew in the last quarter of the year essentially due to higher demand relating to the launch of corrugated Containerboard paper production capacity and the restart of growing economy activities in Asia. In January 2021 an increase in selling prices was announced in response to increases in the prices of paper for recycling and the main energy components. However, the effect of this selling prices increase will not begin to be seen until March 2021. The first quarter of 2021 could thus be adversely impacted by a lower level of value added than in 2020, but we are confident it will be recouped and offset over the course of the year due to the finished product price increases implementation.

The same considerations as for the WLC sector also apply to the **Folding Box Board** (FBB) sector, including with regard to raw material prices, which report increases in line with the inflation recorded in all commodities. The increase in raw material prices could also entail lower-then-expected value added for the FBB business. Accordingly, should it be necessary, it will be essential to revise the prices of finished products and continue to work on production efficiency.

The **RDM Group** will forge ahead its strategy, focusing on three specific lines of action, with the aim of improving its medium-to-long-term performance:

- Revision of the integration program of **RDM Barcelona Cartonboard** and of the announced acquisition of **Paprinsa** in Spain in order to fully benefit from the synergies of a multi-mill approach;
- Strengthening of operating efficiencies through Lean Manufacturing plans, including the customer service level;
- Implementation of the Group-wide digitalization plan.

Key events

Regarding the Covid-19 emergency, the Board of Directors examined the figures of the 2021 budget and 2022-2023 plan and did not identify any elements classifiable as indicators of impairment of the cash-generating units and other assets at December 31, 2020.

For any further information, reference should be made to the Interim Report at December 31, 2020.

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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.

From today, the Interim Report at December 31, 2020 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, 2020
- Consolidated Statement of Financial Position at December 31, 2020
- Consolidated Net Financial Position at December 31, 2020

For further information

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Consolidated Income Statement at December 31, 2020

Consolidated Income Statement	12.31.2020	12.31.2019
(€ thousands)		
Sales	679,461	701,591
Other sales and income	12,725	10,604
Change in inventories of finished goods	(10,464)	3,637
Cost of raw materials and services	(484,547)	(533,446)
Personnel costs	(108,016)	(104,132)
Other operating costs	(5,348)	(5,899)
Gross operating profit (EBITDA)	**83,811**	**72,355**
Depreciation, amortization and write-downs	(36,860)	(41,937)
Operating profit (EBIT)	**46,951**	**30,418**
Financial expense	(2,952)	(5,808)
Gains (losses) on foreign exchange	(575)	123
Financial income	2,296	311
Net financial income/(expense)	(1,231)	(5,374)
Income (losses) from equity investments	271	179
Taxes	(12,440)	(9,626)
Profit (Loss) for the year	**33,551**	**15,597**
Attributable to:		
Group's share of profit (loss) for the year	33,551	15,597
Minority interest in profit (loss) for the year		

Consolidated Statement of Financial Position at December 31, 2020

Statement of Financial Position - ASSETS	12.31.2020	12.31.2019
(€ thousand)		
Non-current assets		
Property, plant and equipment	220,745	232,586
Right-of-use assets	15,166	12,371
Goodwill	4,389	4,389
Other intangible assets	16,749	16,368
Equity investments	950	810
Deferred tax assets	243	389
Other receivables	5,823	5,518
Total non-current assets	**264,065**	**272,431**
Current assets		
Inventories	102,231	108,948
Trade receivables	66,231	77,129
Other receivables	18,774	16,552
Derivative instruments	712	
Cash and cash equivalents	62,985	40,382
Total current assets	**250,933**	**243,011**
TOTAL ASSETS	**514,998**	**515,442**

Statement of Financial Position - EQUITY AND LIABILITIES	12.31.2020	12.31.2019
(€ thousands)		
Equity		
Equity attributable to the Group	234,127	205,478
Total equity	**234,127**	**205,478**
Non-current liabilities		
Payables to banks and other lenders	50,845	63,986
Derivative instruments	388	752
Other payables		
Deferred tax liabilities	7,231	8,660
Employee benefits	37,245	36,410
Non-current provisions	5,380	4,221
Total non-current liabilities	**101,089**	**114,029**
Current liabilities		
Payables to banks and other lenders	21,062	25,610
Derivative instruments	517	2,211
Trade payables	130,811	141,209
Other payables	23,306	23,053
Current taxes	2,447	2,884
Current provisions	1,526	870
Employee benefits	113	98
Total current liabilities	**179,782**	**195,935**
TOTAL EQUITY AND LIABILITIES	**514,998**	**515,442**

Consolidated Net Financial Position at December 31, 2020

Net financial position	12.31.2020	12.31.2019	Change
(€ thousands)			
Cash, cash equivalents and short-term financial receivables	63,228	40,529	22,699
Short-term financial debt	(21,062)	(25,610)	4,548
Valuation of current portion of derivatives	195	(2,211)	2,406
Short-term net financial position	**42,361**	**12,708**	**29,653**
Medium-term financial debt	(50,845)	(63,986)	13,141
Valuation of non-current portion of derivatives	(388)	(752)	364
Net financial position	**(8,872)**	**(52,030)**	**43,158**