# Interim Report
# 03.31.2018

**NET REVENUES: €157.6 MILLION**
**(COMPARED TO € 149.5 MILLION AS AT MARCH 31, 2017)**

**GROSS OPERATING PROFIT (EBITDA): € 18.1 MILLION**
**(COMPARED TO € 9.1 MILLION AS AT MARCH 31, 2017)**

**OPERATING PROFIT (EBIT): € 12.8 MILLION**
**(COMPARED TO PROFIT OF € 3.6 MILLION AS AT MARCH 31, 2017)**

**NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF € 12.8 MILLION**
**(COMPARED TO A PROFIT OF € 2.5 MILLION AS AT MARCH 31, 2017)**

**NET FINANCIAL DEBT: € 41.5 MILLION**
**(COMPARED WITH €44.1 MILLION AS AT DECEMBER 31, 2017)**

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 |

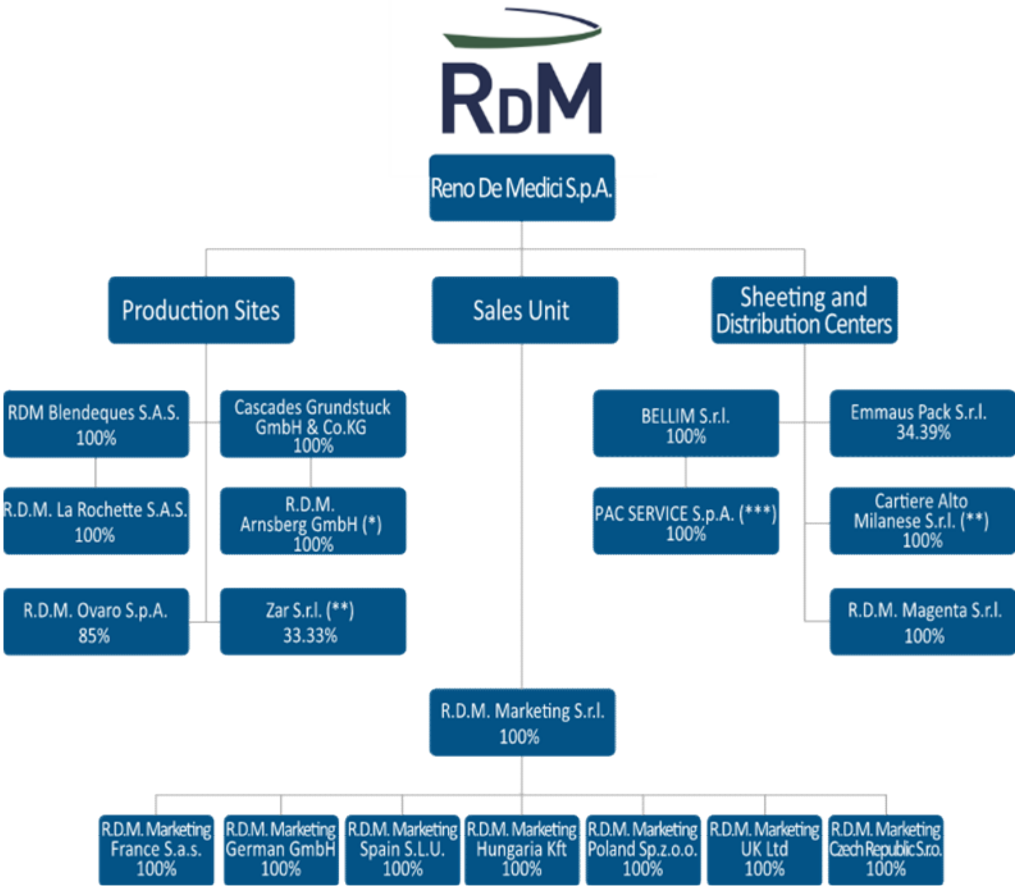
Board of Statutory Auditors

| | |
|---|---|
| Giancarlo Russo Corvace | Chairman |
| Giovanni Maria Conti | Statutory Auditor |
| Tiziana Masolini | Statutory Auditor |
| Elisabetta Bertacchini | Deputy Statutory Auditor |
| Domenico Maisano | Deputy Statutory Auditor |

Independent Auditors

Deloitte & Touche S.p.A.

## GROUP OPERATING COMPANIES AS AT MARCH 31, 2018




(*) 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 RDM Group closed the first quarter of 2018 with Sales Revenues of EUR 157.6 million, compared to EUR 149.5 million in 2017, an EBITDA of EUR 18.1 million, equal to 11.5% of Revenues, with an increase of nearly 100% compared to the EUR 9.1 million of the previous year, and a Net Profit of EUR 12.8 million compared to EUR 2.5 million in 2017.

The results for the quarter consolidated for the first time the newly acquired **PAC SERVICE S.p.A.**, previously evaluated with the equity method, which contributed to the result, before intercompany adjustments, with revenues of EUR 5.6 million and an EBITDA of EUR 592 thousand.

The very positive performance for the quarter is attributable first of all to the favourable market conditions in both the sectors in which the Group operates, WLC - White Lined Chipboard (coated board made of recycled fibers) and FBB - Folding Box Board (cardboard for folding boxes made of virgin fibers), which confirm the positive trend in 2017, with higher average prices than the same quarter the previous year, higher production efficiency, and a reduction in costs of raw materials in the WLC sector; these positive factors largely offset the increase in generalised paste costs in the FBB sector and power costs in both sectors.

In this general context, the two sectors are characterised by different dynamics as far as raw material costs are concerned: the WLC sector benefits from the low cost of waste paper, following the drop in prices experienced since September 2017 because of the drastic reduction in exports to China, due to the new environmental legislation in that country. On the other hand, the FBB sector has significantly suffered from the continuous increase in the cost of cellulosic paste, the main raw material used by the La Rochette facility, due to pulp representing one of the main replacements for waste paper following the above-mentioned import policies.

Regarding to the **general macroeconomic scenario**, the world economy is experiencing a positive period, with significant and rising growth rates, a positive trend experienced since the second half of 2016. The IMF's World Economic Outlook update in April confirmed last January's growth estimates, projecting a global growth of 3.9% for both 2018 and 2019, 0.1% higher than in 2017; "a growth with such a wide and sustained base has not been experienced since the initial rebound in 2010, after the 2008-2009 financial crisis" (IMF).

The improvement is driven by Advanced Economies, for which a growth of 2.5% is anticipated for 2018, an increase on the 2.3% estimate in January, a value that also represents the most recent data for 2017. In the **Euro Zone** the growth anticipated for 2018 should reach +2.4%, an improvement both compared to the 2017 data and previous estimates, supported by internal demand, the growth in investments, the ECB's expansive financial policy, and also thanks to the positive collateral effects of the US's expansive fiscal policy. The good performance is common to all countries in the Zone, including Italy, even though the estimate of +1.5% is lower than average.

**Emerging countries and developing markets** confirm expectations of a +4.9% increase, slightly higher than the +4.8% recorded for 2017, mainly linked to the positive performance of China and Asian emerging markets, and to the benefits deriving from the increase in prices for raw materials for exporting countries. The scenario in emerging markets is however varied, with some areas being particularly exposed to the negative effects of geopolitical events affecting them (North Africa and Middle East in particular).

**World trade** confirms the positive development of economic activities: the final data for 2017 sees growth rates doubling compared to the previous year (+4.9% against +2.5% in 2016), and projects further strengthening in 2018, with a growth rate that should reach +5.1%, thanks to internal demand and the recovery of productive investments in advanced economies, and even more so thanks to the increase in investments in emerging countries exporting commodities, some of which are leaving behind a long and particularly difficult period.

In the two sectors in which the RDM Group operates, the flow of orders and the backlog have been satisfactory, even though with dynamics partly different from one another.

In the **WLC sector**, orders and backlog have settled on satisfactory levels even though showing a slight drop at the end of the period compared to the same period in 2017, characterised by a boom in demand.

In terms of shipments, the growth in European markets overall is +1%. The main markets have positive growth rates: +5.6% for Germany, +2.7% for the UK, +0.7% for Italy, and +5.1% for Eastern European countries. Spain presents a reduction of -2.1%, and France a small drop of -0.6%. However, overall European demand was affected by the significant retrenchment in Turkey of -12.4%.

Also in the **FBB sector**, in which R.D.M. La Rochette S.A.S. operates, the inflow was very satisfactory during the quarter, and in line with the same quarter of the previous year, with

the backlog at much higher levels.
In terms of shipment, in the first quarter of 2018 European demand grew overall by +5.2% compared to the same period in the previous year, with varied performances among the different national markets: a strong growth in France, Spain, the UK and Turkey, with much more contained growth rates in Germany and Italy, even though the trend is positive.

Regarding the main factors of production, the evolution of prices for **recycled paper** was characterised by a sharp drop in September last year, in particular in some types of pulp (MWP - Mixed Waste Paper and OCC - Old Corrugated Containers), mainly following the restrictions imposed by the Chinese government on undifferentiated waste paper and the limits in the issue of import licences. These measures determined a drop in waste paper exports to this country, causing an imbalance between offer and demand with the consequent reduction in prices. This trend continued also in the first quarter of 2018, at the end of which prices had reached levels such as to be reasonably defined as minimum. In fact, there are visible signs of price increases for types of waste paper easier to export (OCC) based on the improved quality that waste paper suppliers are managing to achieve.

Regarding to the **virgin cellulosic fibres**, the long period of price increases which started in 2017 continues, both in the "short fibre" sector, due to the difficulty the offer is experiencing in meeting demand, and in the "long fibre" sector, mainly because of the increase in Chinese demand, as a partial replacement for recycled paper. The prices of both types reached 1,000 US$/ton at the start of the year; during the quarter prices for "long fibres" have continued to grow while those for "short fibres" have stabilised, however, at rather high levels. The weakness of the American dollar has partially offset the impact of price increases in terms of Euro values.
The impact of fibres price increase is relevant, so the Group's subsidiary that operates in the sector, R.D.M. La Rochette S.A.S., announced at the end of 2017 an increase in sale prices and applied these with effect from January 2018, with the objective of redressing the revenue balance, if only partially. This increase should become fully effective in the second quarter.

Prices for **chemical coating products** increased slightly compared to the last part of 2017, but are still in any case lower than they were at the same period of the previous year.

**In summary, in the first quarter of 2018 the average cost of raw materials for the RDM Group was lower than in the same period in 2017.**

The evolution of **energy factors** prices in the first quarter of 2018 sees confirms the upward trend in the second half of 2017, essentially associated to an improvement of the general macroeconomic scenario and the consequent increase in demand for energy in all its main components. This is driven by the increase in the oil price, which has been influenced by geopolitical events affecting some of the production areas.

In particular, with regard to **oil**, Brent prices have risen to reach the current (April) level of 70 dollars per barrel. The upward trend is linked to several factors: the growth in demand, the general drop in reserves, also due to production problems in some areas, but above all to the production cuts confirmed by OPEC and which are also applied by oil-producing countries outside the organisation. The expectations of enduring upward trends reflect the sustained demand anticipated also in the future, together with the reduction in available production capacity.

The price of **natural gas**, the main source of energy for the RDM Group, is also increasing, given the direct correlation with the oil price, the reduction in reserves (stockpiles) also as a consequence of a severe winter, and the continuous and relevant increases in the cost of coal, which are directing demand towards the production of energy produced with natural gas. In Europe average spot prices have moved from 16/18 €/MWH in the winter months to the current (March-April) 20/22 €/MWH.

Regarding the **electric power**, the evolution of prices in the first quarter of 2018 in Europe was characterised by substantial increases, on average around +20% compared to the same period in the previous year, as quotes (both spot and futures) started to incorporate increases in the price of electric production raw materials, and above all in CO2 emission rights. It should be noted also the positive effect on the cost of electric power generated in Italy according to the new regulation for large consumers of electricity, recently introduced, which lighten the burden of accessory charges to the electricity bills aimed at the financing of renewable sources of energy.

The price of **coal**, the main energy source at the factory in Arnsberg, recorded an increase of 8.4% from August 2017 to February 2018, to then stabilise on high levels, around 80 US$/ton (API2). Lastly, significant increases have been observed in the price of **CO2 quotes,** which have reached EUR 15.

**The average cost of the energy used by the RDM Group in the first quarter of 2018 was slightly higher than at the same period in the previous year, as the greater energetic efficiency of production plants, the undersigned contracts and the effect of the new Italian regulations have until now contributed to offset the effects of the increase in prices of energetic components.**

The number of **tons sold** in the period by the RDM Group reached 268 thousand units, essentially in line with the number of units sold in 2017.

**Sales revenues** amounted to EUR 157.6 million, compared to EUR 149.5 million in the previous year. The increase in revenues, mainly attributable to the WLC sector, was due to the increase in average sales prices compared to the first quarter of 2017, also thanks to the improvement in the marketing mix.

**Other revenues** amounted to EUR 1.6 million, essentially in line with the previous year. Of these, the most representative component was represented by revenues associated to energy (sale of energy and interruptibility).

**Personnel costs** amounted to EUR 22.3 million, a drop of EUR 848 thousand compared to the 23.2 million in the first quarter of 2017. The drop mainly represents the balance between the increased cost of EUR 353 thousand for the consolidation of PAC SERVICE S.p.A., and the absence of the restructuring charges of the commercial structure set aside in 2017, for EUR 1.1 million.

In the first quarter of 2018 **EBITDA** reached EUR 18.1 million, a significant increase on the EUR 9.1 million in 2017, thanks to the greater revenues deriving from higher average sale prices, the lower cost of waste paper in the WLC sector, and greater production efficiency. These factors more than offset the increased cost of cellulosic paste in the FBB sector, and the slight increase in the cost of energy.

**EBIT** amounted to EUR 12.8 million, compared to EUR 3.6 million in 2017.

**Net Financial Expenses** were EUR 711 thousand, essentially in line with the previous year.

**Incomes from Investments** amounted to EUR 3.2 million, against EUR 378 thousand in

2017. The relevant increase is attributable, for an amount of EUR 3 million, to the acquisition of the remaining shares of PAC SERVICE S.p.A., with the consequent evaluation of the investment's *fair value*, which had been previously evaluated using the equity method for the only share owned.

The allocation for **Income Taxes** amounted to EUR 2.4 million, compared to 768 thousand in 2017, with a relevant increase linked to the greater taxable income.

**The Consolidated Profit** reached EUR 12.8 million, with a relevant growth compared to the EUR 2.5 million in 2017, due to the increased operational profitability and for the *fair value* evaluation of PAC SERVICE S.p.A., offset by greater fiscal charges.

During the quarter the Group put in place **Capital Expenditures** for EUR 2.5, compared to EUR 5.7 million in 2017.

**Consolidated Net Financial Indebtedness** at March 31, 2018 amounts to EUR 41.5 million, with a reduction of EUR 2.6 million compared to the EUR 44.1 million at December 31, 2017.
The operating net cash flow was positive at EUR 7.9 million, but in terms of improvement of the financial position its impact is reduced following the payment of the final balance, of EUR 2.3 million, of an investment put in place in previous years, as well as the effect of the consolidation of the PAC SERVICE S.p.A., for an amount of around EUR 3 million.

## Consolidated results

The following table summarizes key income statement indicators as at March 31, 2018 and 2017.

| | 03.31.2018 | 03.31.2017 |
|---|---|---|
| (thousands of Euros) | | |
| **Revenues from sales** | **157,627** | **149,453** |
| **OPERATING PROFIT (EBITDA) (1)** | **18,122** | **9,123** |
| **EBIT (2)** | **12,761** | **3,610** |
| **Pre-tax income (3)** | **15,222** | **3,261** |
| *Current and deferred taxes* | *(2,393)* | *(768)* |
| **Profit (Loss) for the period** | **12,829** | **2,493** |

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 the RDM Group

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

| | 03.31.2018 | % of total | 03.31.2017 | % of total |
|---|---|---|---|---|
| (thousands of Euros) | | | | |
| Italy | 49,879 | 31.6% | 46,076 | 30.8% |
| EU | 88,225 | 56.0% | 84,009 | 56.2% |
| Non-EU | 19,523 | 12.4% | 19,368 | 13.0% |
| **Revenues from sales** | **157,627** | **100%** | **149,453** | **100%** |

## Key events

**PAC SERVICE S.p.A.**, was consolidated line by line on January 1, 2018, the effective date of the acquisition of the residual shareholding in the same.

On February 12, 2018 the merger was finalised with the Parent Company of **R.D.M. Marketing S.r.l.**, whose accounting and fiscal effects run from January 1, 2018, while legal effects run from April 1, 2018.

On March 28, 2018 Reno De Medici S.p.A. sold its shareholding in **Manucor S.p.A.** This shareholding had been totally written down in the previous financial years and, therefore, the transfer of the same generated a non relevant capital gain.

## Subsequent events

There were no events of note after the end of the financial year.

## Outlook

In relation to the **general macroeconomic scenario**, the outlook for 2018 a further strengthening of the global economy is anticipated, as already indicated at the start of this management report. Even if the risks and opportunities of a greater growth appear to be balanced in the short term, it should be noted that there are risks linked to geopolitical tensions in some areas of the world, and the commercial tensions generated by the new protectionist policy adopted by the United States.

In both the sectors in which the RDM Group operates, **White Lined Chipboard (WLC)** and **Folding Box Board (FBB),** the outlook remains positive with still sustained demand even if with some signs of slowing down.

With regard to the main production factors, the prices for **waste paper** should remain on the current low levels, at least for the second quarter, given above all that there appear to be no significant changes in the application of restrictions applied by the Chinese government on waste paper imports. On a wider time prospective, the evolution of prices is marked by a relevant uncertainty, even though a rise in prices in the medium-long term can be expected, the first signs of which are becoming apparent on higher grade materials.

Regarding to the **virgin fibres**, the imbalance between offer and demand should continue for most of 2018, and therefore also the upward trend in prices. As already explained, at the end of 2017 the RDM Group announced an increase in the price of FBB products, aimed at offsetting the increase in costs, whose first effects are already visible in the first quarter, and should become even more so from the second quarter of 2018.

The expected evolution of **energy prices** sees the confirmation of the upward trend also for the rest of 2018, which should also represent an increase in energy costs for the RDM Group, even though not with an immediate effect, given the already stipulated contracts.

## CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2018

| Consolidated Income Statement | 03.31.2018 | 03.31.2017 |
|---|---|---|
| **(thousands of Euros)** | | |
| Revenues from sales | 157,627 | 149,453 |
| Other revenues and income | 1,574 | 1,463 |
| | | |
| Change in inventories of finished goods | (4,658) | (7,085) |
| Cost of raw materials and services | (113,116) | (110,499) |
| Personnel costs | (22,319) | (23,167) |
| Other operating costs | (986) | (1,042) |
| | | |
| **Gross operating profit** | **18,122** | **9,123** |
| | | |
| Depreciation and amortization | (5,361) | (5,513) |
| | | |
| **Operating profit** | **12,761** | **3,610** |
| | | |
| *Financial expense* | (572) | (755) |
| *Gains (losses) on foreign exchange* | (139) | 26 |
| *Financial income* | | 2 |
| Net financial income/(expense) | (711) | (727) |
| | | |
| Gains (losses) from investments | 3,172 | 378 |
| Taxes | (2,393) | (768) |
| | | |
| **Profit (loss) for the period** | **12,829** | **2,493** |
| | | |
| attributable to: | | |
| Group's share of profit (loss) for the period | 12,829 | 2,493 |
| Minority interest in profit (loss) for the period | | |

| Statement of Financial Position - ASSETS | 03.31.2018 | 12.31.2017 |
|---|---|---|
| (thousands of Euros) | | |
| | | |
| ***Non-current assets*** | | |
| Tangible assets | 193,437 | 192,570 |
| Goodwill | 5,340 | |
| Other intangible assets | 8,770 | 8,561 |
| Equity investments | 2,631 | 4,577 |
| Deferred tax assets | 1,259 | 1,256 |
| Other receivables | 8,271 | 17,764 |
| | | |
| **Total non-current assets** | **219,708** | **224,728** |
| | | |
| ***Current assets*** | | |
| Inventories | 83,654 | 83,659 |
| Trade receivables | 86,155 | 70,862 |
| Other receivables | 9,864 | 11,204 |
| Cash and cash equivalents | 26,428 | 19,128 |
| | | |
| **Total current assets** | **206,101** | **184,853** |
| | | |
| **TOTAL ASSETS** | **425,809** | **409,581** |

| Statement of Financial Position - LIABILITIES AND SHAREHOLDERS' EQUITY | 03.31.2018 | 12.31.2017 |
|---|---|---|
| **(thousands of Euros)** | | |
| | | |
| **Shareholders' equity** | | |
| Shareholders' equity attributable to the Group | 180,871 | 168,465 |
| | | |
| **Total shareholders' equity** | **180,871** | **168,465** |
| | | |
| **Non-current liabilities** | | |
| Payables to banks and other lenders | 47,586 | 44,277 |
| Derivative instruments | 72 | 138 |
| Other payables | 13 | 26 |
| Deferred taxes | 8,648 | 8,924 |
| Employee benefits | 34,646 | 33,950 |
| Non-current provisions for risks and charges | 4,860 | 4,701 |
| | | |
| **Total non-current liabilities** | **95,825** | **92,016** |
| | | |
| **Current liabilities** | | |
| Payables to banks and other lenders | 20,910 | 19,512 |
| Derivative instruments | 130 | 133 |
| Trade payables | 100,978 | 105,979 |
| Other payables | 22,543 | 20,777 |
| Current taxes | 3,635 | 1,501 |
| Current provisions for risks and charges | 818 | 1,057 |
| Employee benefits | 99 | 141 |
| | | |
| **Total current liabilities** | **149,113** | **149,100** |
| | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **425,809** | **409,581** |

| Net financial position | 03.31.2018 | 12.31.2017 | Variation |
|---|---|---|---|
| **(thousands of Euros)** | | | |
| Cash, cash equivalents and short-term financial receivables | 27,164 | 19,986 | 7,178 |
| Short-term financial debt | (20,910) | (19,512) | (1,398) |
| Valuation of current portion of derivatives | (130) | (133) | 3 |
| **Short-term net financial position** | **6,124** | **341** | **5,783** |
| Medium-term financial debt | (47,586) | (44,277) | (3,309) |
| Valuation of non-current portion of derivatives | (72) | (138) | 66 |
| **Net financial position** | **(41,534)** | **(44,074)** | **2,540** |

## NOTES

The Interim Report of the RDM Group as at March 31, 2018 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, 2017. For a description of these criteria, reference is made to those financial statements.

RDM has applied the same accounting principles as for the Interim Report as at December 31, 2017.

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, 2018, the RDM Group's staff consisted of 1,517 employees compared to 1,487 employees as at December 31, 2017. The increase is mainly due to the consolidation of PAC SERVICE S.p.A.

**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)**

Stefano Moccagatta, 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, 2018 of Reno De Medici S.p.A. corresponds to information contained in documents, ledgers and accounting entries.

Milan, May 2, 2018

Signed
Stefano Moccagatta