



# SPAFID CONNECT

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Diffusione presunta

Oggetto : The Board of Directors approves the 2018 Consolidated Financial Statements and the Draft Financial Statements of the Parent Company

*Testo del comunicato*

Vedi allegato.



**Press Release**

**The Board of Directors approves the 2018 Consolidated Financial Statements and the Draft Financial Statements of the Parent Company**

**RDM APPROVES RECORD RESULTS: IN 2018, THE EBITDA MARGIN REACHES 10.4%, WHILE THE NET PROFIT HAS ALMOST DOUBLED**

**PROPOSED A 0.7 EURO CENT DIVIDEND PER ORDINARY SHARE**

- **CONSOLIDATED NET REVENUES AT €606 MILLION, +6.5% COMPARED WITH €569.1 MILLION AS OF DECEMBER 31, 2017.**
- **CONSOLIDATED GROSS OPERATING MARGIN (EBITDA) AT €63.1 MILLION, UP €17.3 MILLION FROM €45.8 MILLION AS OF DECEMBER 31, 2017 (+37.8%).**
- **CONSOLIDATED OPERATING PROFIT (EBIT) AT €39.3 MILLION, UP FROM €23.5 MILLION AS OF DECEMBER 31, 2017 (+67.5%).**
- **NET PROFIT FOR THE PERIOD AT €27.2 MILLION, ALMOST DOUBLE (+86.5%) THE PROFIT OF €14.6 MILLION AS OF DECEMBER 31, 2017.**
- **STRONG CASH GENERATION COVERS A LARGE PORTION OF THE ACQUISITION COST OF BARCELONA CARTONBOARD (EV: €46.4 MILLION). NET DEBT INCREASED BY JUST €22.7 MILLION TO €66.8 MILLION.**
- **NET RESULT OF RENO DE MEDICI S.P.A. AT €18.0 MILLION (+73.3% COMPARED TO 31 DECEMBER 2017). PROPOSED A DIVIDEND OF €0.007 PER ORDINARY SHARE AND €0.0245 PER SAVINGS SHARE**

*Milan, 18 March 2019* - The Board of Directors of Reno De Medici S.p.A., which met today under the chairmanship of Eric Laflamme, examined and approved the Consolidated and Draft Financial Statements of the Parent Company for the year ending as of December 31, 2018, to be submitted to the Ordinary Shareholders' Meeting on 29 April 2019.

*“We are here presenting to our stakeholders excellent financial results that highlight the positive effect resulting from the strategic direction set in 2017, implemented with determination in 2018, and partly thanks to a favourable market context for most of the past year”, said Michele Bianchi, CEO of RDM Group. “The Group has proven a solid ability to maintain and even improve its profitability, in the different situations that characterised both market demand and raw materials prices in 2018, thanks to its clear strategic positioning and customer appreciation”.*

*“We became the leading producer of recycled fiber cartonboard in the Southern European countries like Italy, France and Spain, where, thanks to the acquisition of Barcelona Cartonboard at the end of 2018, we can*

*operate more efficiently across the main European markets and guarantee a high level of service to all our Customers.*

*“The initiatives launched in 2018, such as the optimisation of the cost structure and the enlarged production flexibility,” concluded Bianchi, “will continue to generate additional value in the two-year period 2019-20, with the aim of bringing the recorded increases in operating margins to consolidated structural performances, regardless of future economical business cycles”.*

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## **The Group's performances in Fiscal Year 2018**

In a context such as that of 2018, characterized by the low prices of recycled fiber raw materials and a vigorous demand in the first part of the year, but which gradually slowed in the second, RDM Group reported a significant increase in EBITDA margin and net profit, proving its success in seizing the opportunities offered by its market position and in preserving the level of margins even while facing pressures on sales prices.

In the year 2018, the EBITDA stood at €63.1 Million, compared to €45.8 Million in the year 2017, while its impact on sales revenue reached 10.4%, compared to 8.1% in 2017.

Net profit was equal to €27.2 Million – nearly doubled compared to 14.6 in the previous year.

In accordance with the strategy set in 2017, RDM Group continued working in 2018 to bring its profitability in terms of EBITDA margin to structurally higher levels, implementing additional initiatives aimed at smoothing the impact on the financial results of the variations of the different economic business cycles. In particular, a number of initiatives, intended to increase margins, was launched through the optimization of the production mix, the distribution of orders between the various production units and the streamlining of costs. These actions, which have already brought some advantages in 2018, will continue in the 2019-2020 two-year period with the objective of consolidating further results in terms of operating margin.

Alongside the organic profitable growth policies, at the end of October 2018, RDM Group concluded its acquisition of the biggest paperboard manufacturer on the Iberian Peninsula – **Barcelona Cartonboard S.A.U.** – strengthening its leadership in Southern Europe. The strong generation of cash covered for a large part the acquisition operating cost (Enterprise Value of €46.4 Million): the net financial debt at 31 December 2018 was in fact equal to €66.8 Million, with an increase of €22.7 Million compared to the €44.1 Million at the end of 2017.

The gearing<sup>1</sup>, albeit having increased from 0.26% to 0.21%, remained at contained levels.

## **BUSINESS STRATEGY**

The sector in which RDM Group traditionally operates, namely WLC – White Lined Chipboard (paperboard coated by packaging on a recycled base), representing a consolidated percentage on revenues of over 80%,

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<sup>1</sup> The gearing was calculated as the ratio between “net financial position / (net financial position + net worth)”.

in 2018 was characterized by a demand that was overall lower by 1.6% than the previous year, which had seen a boom in demand. RDM Group succeeded in keeping its market share substantially unchanged, only decreasing by half a percent. Some facilities, in particular Villa Santa Lucia mill in Southern Italy, were affected by lower production efficiency following the “multi-mill” redistribution of products, producing grammages that were overall lighter, in line with market trends. This led to a decline in the volumes shipped, especially in the last quarter.

To protect and increase its margins, RDM Group optimized its orders portfolio through a new sales organization and a dedicated company department function.

As regards the main production factors, the price of waste paper recorded, as of September 2017, a significant reduction in price until the first quarter of 2018, in March reaching the lowest level on the market since the crisis in 2009. In the following quarters, the average prices remained substantially stable despite the uptrend, especially for white grades, replacements for virgin cellulose. The decrease in prices of recycled paper is due to the restrictions imposed by the Chinese Government on unselected waste paper importation and to the limitations in licence volume issuing. In Europe, however, an excess in supply was created, which led to decrease in prices.

The FBB sector (Folding Box Board – paperboard for folding boxes made from virgin fibres), representing a consolidated percentage on revenues of just less than 20%, recorded a 6.6% growth in market demand. Overall, La Rochette mill produced fewer tons in 2018, even if in the last quarter the trend reversed slightly. The revenues were nevertheless higher, due to the increased sales prices charged. In fact, the Company announced an increase in prices at the end of the year 2017, which entered into force during 2018.

This increase was not sufficient to preserve the profitability of the sector, which had been entirely eroded by the bullish trend in the prices of virgin cellulose fibres.

In 2018, in the wake of 2017, the price of these fibres continued to increase, both in the “short fiber” sector, due to the difficulty the supply was experiencing in meeting demand, and in the “long fiber” sector, mainly because of the increase in Chinese demand, as a partial replacement for recycled paper. In June 2018, the prices of virgin fibres reached the maximum peak (around 1,230 US\$/TON), before stabilizing in the third and fourth quarters. The weakness of the US Dollar only partially compensated for the effect of the price increases. As of the end of 2018, decreasing trends were recorded on both types of virgin fibres and there remains an expectation of falling prices, albeit slight.

At the end of 2018, RDM Group announced an additional increase in prices, which is to be implemented in the first months of 2019.

The **energy costs** in 2018 recorded a significant increase compared to the previous year due to the price increase of the main sources of energy supply, namely natural gas, electricity and coal. The price trend is substantially connected to the macro-economic framework of the ongoing year and to oil price trends. The deterioration of growth expectations led, in the last quarter, to a halt in the rising trend of raw materials prices, especially energy.

## GROWTH FOR EXTERNAL LINES

In 2018, the Group strengthened its leadership in Southern Europe by acquiring the biggest board mill on the Iberian Peninsula – **Barcelona Cartonboard S.A.U.** – and becoming the main manufacturer of paperboard for recycled fiber packaging in Italy, France and Iberian Peninsula.

The transaction was concluded on 31 October 2018, with the payment to the seller of €36.5 Million and the assumption of the financial debt of the subsidiary amounting to €9.7 Million.

The 2018 results then consolidate the Company **Barcelona Cartonboard S.A.U.** for a period of two months, from 1 November to 31 December 2018. The contribution of the newly acquired company to the results for the year 2018 was equal to €21.9 Million in terms of revenue and €1.5 Million of EBITDA.

Being part of RDM Group will allow the subsidiary to maximize its profitability thanks to the sharing of know-how within the Group and to the review of the products - markets served portfolio. Furthermore, in coming years Reno De Medici will be able to bolster its presence in an already known market and improve the level of service offered to customers, including in light of the geographical proximity to some of the main converters in France and Spain.

The 2018 results also fully consolidate for the first time **PAC SERVICE S.p.A.**, acquired at the end of 2017 with effect as of 1 January 2018, previously evaluated with the equity method, which contributed to the result, before intercompany adjustment, with revenues of €21.1 Million and an EBITDA of €1.7 Million.

## OPERATING INVESTMENTS

In 2018, the Group put in place **Capital Investments** for €24.4 Million, compared to €20.7 Million in 2017. Again in the year 2018, the Company continued to invest in increasing capacity and improving quality, in optimizing costs, in addition to energy efficiency and the Group's digitalization project. Some of the largest investments included the new headbox installed in Arnsberg, the rewinder in Villa Santa Lucia, the pope reeler in Santa Giustina, the sheeter in PAC Service, the second step in energy streamlining in La Rochette and the continuation of rolling out the new ERP.

## NET FINANCIAL POSITION

**Consolidated Net Financial Debt** at 31 December 2018 amounted to €66.8 Million, with an increase of €22.7 Million compared to the €44.1 Million at 31 December 2017. The net operating cash flow was positive for €52.4 Million and allowed RDM Group to largely absorb the financial impact deriving from the acquisition of **Barcelona Cartonboard S.A.U.** (Enterprise Value of €46.4 Million).

In addition to the normal dynamics of the working capital connected to the positive performance of the year, the operating cash flow was positively impacted by the increase in the use of factoring, mainly due to the entry of the subsidiary La Rochette S.A.S. into the factoring program. The most relevant negative impact derived from the increased amount, towards vs. 2017, of investments.

The expenses included: the dividends paid and the purchase of own shares for an overall €1.7 Million, in addition to the acquisition of an additional 5% of the subsidiary R.D.M. Ovaro S.p.A. from Friulia S.p.A. for € 0.6 Million.

## **CONSOLIDATED RESULTS**

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

	12.31.2018	12.31.2017
<b>(thousands of Euros)</b>		
<b>Revenues from sales</b>	<b>605,980</b>	<b>569,089</b>
<b>OPERATING PROFIT (EBITDA) (1)</b>	<b>63,113</b>	<b>45,813</b>
<b>EBIT (2)</b>	<b>39,336</b>	<b>23,481</b>
<b>Pre-tax income (3)</b>	<b>40,084</b>	<b>20,796</b>
<i>Current and deferred taxes</i>	<i>(12,914)</i>	<i>(6,228)</i>
<b>Profit (Loss) for the period</b>	<b>27,170</b>	<b>14,568</b>

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

**Sales Revenues** amounted to €606 Million, compared to €569.1 Million for the same period in the previous year. Net of the line-by-line consolidation of PAC Service S.p.A. (+€21.1 Million, before intercompany transactions) and of Barcelona Cartonboard S.A.U. for the last two months of 2018 (+€21.9 Million), the sales revenues were stable compared to the previous year.

The **tons sold** in 2018 by RDM Group reached 1,020 thousand tons, compared to the 1,012 thousand tons sold in 2017. On the one hand, the variation reflects the tons sold by the two Companies consolidated for the first time in 2018; on the other, the decrease of volumes sold on a like-for-like basis with 2017. This decrease was mainly attributable to the WLC sector and reflects both a weakening of demand in the second part of the year and lower volumes shipped following the production redistribution of some types of paperboard from one facility to another.

The **average sales prices**, in both divisions, were higher than in 2017.

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

	12.31.2018	% of total	12.31.2017	% of total
(thousands of Euros)				
Italy	200,105	33%	186,140	33%
EU	333,202	55%	312,403	55%
Non-EU	72,673	12%	70,546	12%
<b>Revenues from sales</b>	<b>605,980</b>	<b>100%</b>	<b>569,089</b>	<b>100%</b>

**Other Revenues** amounted to €6.3 Million, with a decrease of €2.6 Million compared to the previous year, due mainly to the lower energy efficiency certificates for the Italian mills (“white certificates”).

The **Cost for raw materials and services** amounted to €459.4 Million with an increase of €21.3 Million compared to the previous year, mainly due to the different consolidated Companies. Net of this effect, the entry was affected by a significant decrease of the cost of waste paper and by an increase in the price of virgin fiber, energy costs and some services including waste disposal.

**Personnel Costs** amounted to €90.8 Million, with an increase of €3.5 Million compared to the overall €87.3 Million in 2017. The variation mainly reflects the full consolidation of PAC Service S.p.A. and Barcelona Cartonboard S.A.U., in addition to the contractual increases.

As at December 31, 2018, RDM Group's staff consisted of 1.744 employees compared to 1,487 employees as at December 31, 2017.

In 2018, the **EBITDA** reached €63.1 Million, a significant increase compared to the 45.8 Million in 2017 with a percentage on revenues of 10.4% compared to 8.1% in 2017.

**EBIT** amounted to €39.3 Million, compared to €23.5 Million in 2017. Depreciation and amortization increased by €1.4 Million, mainly due to the change in the scope of consolidation.

The **Net Financial Expenses** were equal to €2.4 Million, a decrease compared to the 3.1 Million in 2017, mainly due to the decrease of foreign currency expenses, due to the devaluation of the American Dollar, with a positive balance of €23 thousands in 2018 compared to a loss of 602 thousand recorded in 2017. The average cost of debt remained at limited levels.

**Incomes from Investments** amounted to €3.2 Million, against €0.4 Million in 2017. The relevant increase is attributable, for an amount of €3 Million, to the acquisition of the remaining shares of PAC Service S.p.A., with

the consequent evaluation of the fair value of the investment previously held (33.33%), which was evaluated using the equity method.

The provisions for **Taxes** were equal to €12.9 Million, compared to the €6.2 Million in 2017, with a significant increase related to the increased taxable income and to the full use in the year 2018 of the losses carry forward by the Parent Company Reno De Medici S.p.A.

The **Consolidated Net Profit** reached €27.2 Million, with a major increase compared to the €14.6 Million in 2017, driven by the increased operating profitability, partially compensated by higher amortizations and taxation.

## **KEY EVENTS**

**PAC Service S.p.A.**, starting 1 January 2018, effective date of the acquisition of the remaining stake thereof, was fully consolidated.

On 12 February 2018, the merger by incorporation into Reno De Medici S.p.A. of **R.D.M. Marketing S.r.l.** was completed, the related accounting and tax effects are effective from 1 January 2018, while legally it is effective from 1 April 2018.

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

On 19 June 2018, Reno De Medici S.p.A., by application of the agreements signed with **Friulia S.p.A.** in 2017, repurchased at the price of €646,418 a further 5% shares of R.D.M. Ovaro S.p.A from Friulia S.p.A. stakeholding. Following this operation, the residual stake still owned by Friulia S.p.A. is equal to 10% and will be acquired back in two equal tranches on 30 June of the years 2019 and 2020.

On 2 July 2018 Reno De Medici S.p.A. entered into a preliminary agreement with the German private equity Fund Quantum Capital Partners to acquire 100% of **Barcelona Cartonboard S.A.U.**, a Spanish Company, the seventh-largest European player in the coated cardboard sector. The transaction was terminated on 31 October 2018; starting from that date the Company was fully consolidated.

On 11 September, the Board of Directors of Reno De Medici S.p.A. appointed Dr Luca Rizzo the Manager Responsible for preparing the Company's financial reports, pursuant to Art. 154-bis of Legislative Decree 58/98, within his role as Chief Financial Officer.



## **Other information**

### Purchase of treasury shares in 2018

In 2018, in compliance with the authorization granted on April 30, 2018 by the Ordinary Shareholders' Meeting pursuant to Article 2357 of the Italian Civil Code, Reno De Medici S.p.A. purchased a total of 828,698 ordinary treasury shares at an average unit price of €0.70 for a total amount of €576,711.

These purchases were carried out on regulated markets in compliance with Article 132 of Legislative Decree 58 of February 24, 1998 and Article 144-bis, 1b) of Consob Regulation 11971/1999.

Following the purchases made in 2018, that add to the shares already held, RDM Group holds a total of 2,262,857 treasury shares, or 0.599% of share capital.

No treasury shares were offloaded and no Reno De Medici shares were purchased by its Subsidiaries.

### SUBSEQUENT EVENTS

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

### OUTLOOK

The general macro-economic scenario for 2019 presents many elements of uncertainty, including the effect of Brexit, relations between China and the USA, the geopolitical situation of some countries (Turkey and Venezuela) and the upcoming European elections. It is difficult to predict the impact of these elements on the European economic performance, which is the main end market for RDM Group.

In both sectors where RDM Group operates, **White Lined Chipboard (WLC)** and **Folding Box Board (FBB)**, the short-term outlook remains moderately positive. On the one hand, there is a contraction in demand that already occurred in the last quarter of 2018; on the other, the difference between raw materials cost and sales prices, though decreasing, remains at satisfying levels.

The prices of **waste paper** should remain stable in the first part of the year, in a general context characterised by the persisting restrictions imposed by the Chinese Government on importations.

As regards **virgin fibers**, it is expected that prices, following the trend recorded in the final months of 2018, will continue to fall slightly.

In terms of **sales prices**, for the **WLC** sector, the first quarter of 2019 is facing some price challenges, while in the **FBB** sector the price increases, announced at the end of 2018, will be implemented in the first part of 2019.

The development expected for **energy prices** in the first part of 2019 sees a decline from the maximum levels reached during 2018.

**RDM Group** will continue, in the 2019-2020 two-year period, to pursue the program of initiatives previously started in 2018, strengthening its leadership, optimizing production and improving the service offered to customers, in order to make the profitability levels achieved in 2018 structurally stable over the economic business cycle. One part of the program will include the “multi-mill” integration of **Barcelona Cartonboard**, which will fully contribute to the results in 2019, including potential synergies captures.

### **Financial statements of the parent company Reno De Medici S.p.A. as of December 31, 2018**

In the 2018 financial year the Parent Company Reno De Medici S.p.A. achieved **Net Revenues** of €233.3 Million, slightly down (-1.2%) compared to €236.2 Million in the previous year due to the decrease in volumes sold, but offset almost entirely by the increase of sales prices.

The **Gross Operating Margin** (EBITDA) increased from €27.3 Million in 2017 to €37.5 Million in 2018. The increase, equal to €10.2 Million, was achieved thanks to the improvement in the operating performance of the Italian factories (reduction of energy specifications and consumption of raw materials) and reduction of raw material costs and optimization of the sales mix.

The **Operating Result** (EBIT) is positive for €25.6 Million compared to €15.8 Million reported in 2017.

The **Profit for the Year** is positive for €18 Million, after net financial charges of €0.8 Million and income from investments of €0.3 Million. Tax expenses increased from €4.3 Million to €7.1 Million, due to the increase in taxable income, due to higher profitability, and to the complete use in the 2018 financial year of previous tax losses.

The **Net financial debt** as at December 31, 2018 was €55.4 Million compared to €34.7 Million as at December 31, 2017. The net operating cash flow, positive for €30.5 Million, was absorbed by some specific disbursements of approximately €39.6 Million. These cash outflows include: dividends paid and the purchase of treasury shares for €1.7 Million; the payment of the price and ancillary costs for the acquisition of 100% of Barcelona Cartonboard for an amount of €37.3 Million; the repurchase of a portion of the stake owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. for €0.6 Million.

### **Allocation of 2018 Net Profit**

The Board of Directors will propose to the Ordinary Shareholders' Meeting, scheduled for first call on April 29 (April 30, 2019 possible second call), the following allocation of the net profit resulting from the Financial Statements as at December 31, 2018, equal to €17,952,390.18:

- €897,619.50 to be charged to the legal reserve pursuant to art. 2430 of the Italian Civil Code;
- €0.0245 as preferred dividend against each savings shares outstanding at the dividend "record date";
- €0.007 as dividend for each ordinary share in circulation at the dividend "record date";
- the remaining profits to be allocated to the "Available Reserve".

The dividend will be paid starting from May 15, 2019, subject to the release of coupon n. 12 on May 13, 2019 and "record date" on May 14, 2019.

## **Proposal to authorize the purchase and disposal of treasury shares**

The Board of Directors also approved to submit to the Ordinary Shareholders' Meeting the proposal for authorization to purchase and sell treasury shares, for the following purposes: (i) to service any additional Stock Grant Plans reserved for the Chief Executive Officer of the Company, as well as any other compensation plans based on financial instruments reserved for Directors and/or employees of Reno De Medici, and any programs for free allocation of shares to Shareholders; (ii) to set up a portfolio of treasury shares (so-called "securities stock"), to be used within the context of any extraordinary transactions; (iii) to arrange, where deemed strategic by the Board of Directors, for investment or disinvestment opportunities also in relation to available liquidity; (iv) to satisfy any obligations arising from financial instruments issued by the Company, its subsidiaries or third parties; to carry out any activities to support market liquidity.

The purchase authorization is requested until the Shareholders' Meeting for the approval of the Financial Statements for the 2019 financial year and, in any case, for a period not exceeding 18 months from the authorization resolution, for a maximum number of ordinary shares that - considering the treasury shares already held by the Company and any shares that may be acquired by subsidiaries - does not exceed 10% of the share capital.

The authorization to sell treasury shares is requested without time limits.

Currently the Company holds no. 2,262,857 ordinary treasury shares, corresponding to 0.599% of the share capital. Subsidiaries do not hold company shares.

Purchases would be made in regulated markets pursuant to art. 132 of Legislative Decree no. 58 of 24 February 1998 and art. 144 bis, paragraph 1 letter. B of Consob (Italian securities market authority) Regulation 11971/99 according to operating procedures established in the regulations for the organization and management of the markets themselves, which do not allow the direct matching of purchase trading proposals with predetermined sale negotiation proposals.

The minimum and maximum purchase price would be determined in a unit price that does not differ, up or down, by more than 10% compared to the reference price recorded on Mercato Telematico Azionario (screen-based stock exchange) organized and managed by Borsa Italiana S.p.A. in the stock exchange session before each purchase transaction.

In terms of prices and daily volumes, the purchase transactions would in any case be carried out in compliance

with the trading conditions established by the Commission Delegated Regulation (EU) No. 1052/2016 of 8 March 2016 and, specifically:

- shares cannot be purchased at a price exceeding the highest price between the price of the last independent transaction and the price of the highest independent current purchase offer in the trading venue where the purchase is made; and
- in terms of volumes, the daily purchase quantities will not exceed 25% of the average daily trading volume of the Reno De Medici stock recorded during the 20 trading days preceding the purchase dates.

Any purchases concerning the activity of supporting market liquidity and the purchase of treasury shares for the establishment of a so-called securities "stock", will also be made in accordance with the conditions established by the market practices referred to in conjunction with art. 180, paragraph 1, letter C) of TUF (Consolidated Law on Finance) and of the art. 13 of the Regulation (EU) 596/2014.

## **Approval of the merger by incorporation of the subsidiary Bellim S.r.l., wholly owned**

The Board of Directors has examined and approved the merger by incorporation of Bellim S.r.l. into Reno De Medici S.p.A..

Consequently, the Board resolved, for 29 April 2019, the convening of the extraordinary Shareholders' Meeting, for the approval of the aforementioned merger by incorporation to be implemented through cancellation without replacement of the shares representing the entire share capital of the merged company as it wholly owned by the acquirer Reno De Medici S.p.A..

Bellim S.r.l. holds as its exclusive asset the 40% direct investment in PAC Service S.p.A., and Reno De Medici S.p.A. directly holds the additional 60% of the latter's share capital.

The transaction targets the rationalization and simplification of the corporate structure, through the direct concentration in Reno De Medici S.p.A. of the 100% interest in the share capital of PAC Service S.p.A..

## **Other resolutions**

The Board of Directors approved the Report on Corporate Governance and Ownership Structure for the year 2018, as well as the Remuneration Report pursuant to art. 123-ter of Legislative Decree 58/98. For the year 2019, other Managers with Strategic Responsibilities have been identified and appointed, in addition to the CEO Mr. Michele Bianchi, the only one Executive Director.

The first section of the Remuneration Report will be subject to a non-binding resolution by the Shareholders' Meeting in accordance with the aforementioned art. 123-ter of Legislative Decree 58/98.

The Board of Directors also approved the Group's Sustainable Value Report (Consolidated non-financial statement of the Company Reno de Medici S.p.A), which was audited by the external audit firm Deloitte, to verify the correspondence with the GRI Standards and with the provisions of Legislative Decree 254/2016.

The documentation concerning the 2018 Annual Financial Report and the Shareholders' Meeting will be made available within the terms of the law at the registered office of the Company, on the website [www.rdmgroup.com](http://www.rdmgroup.com) as well as through the authorized storage mechanism emarketstorage ([www.emarketstorage.com](http://www.emarketstorage.com)). The publications will be disclosed to the public in accordance with current legislation.

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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.*

**Attached:**

- RDM Group's Financial Statements as of December 31, 2018
- Statutory Report of Reno De Medici S.p.A. as of December 31, 2018

**For further information:**

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## CONSOLIDATED STATEMENT OF INCOME

	12.31.2018	12.31.2017
<b>(thousands of Euros)</b>		
Revenues from sales	605,980	569,089
- of which related parties	12,778	21,305
Other revenues	6,319	8,870
- of which related parties	112	515
Change in inventories of finished goods	6,282	(3,489)
Cost of raw materials and services	(459,415)	(438,096)
- of which related parties	(68)	(4,502)
Personnel costs	(90,847)	(87,282)
Other operating costs	(5,206)	(3,279)
<b>Gross operating profit</b>	<b>63,113</b>	<b>45,813</b>
Depreciation and amortization	(23,395)	(22,332)
Write-downs	(382)	
<b>Operating profit</b>	<b>39,336</b>	<b>23,481</b>
Financial expense	(2,508)	(2,610)
Gains (losses) on foreign exchange	23	(602)
Financial income	41	81
Net financial income (expense)	(2,444)	(3,131)
Gains (losses) from investments	3,192	446
Taxes	(12,914)	(6,228)
<b>Profit (loss) for the year before discontinued operations</b>	<b>27,170</b>	<b>14,568</b>
<b>Profit (loss) for the year</b>	<b>27,170</b>	<b>14,568</b>
Total profit (loss) for the year attributable to:		
- Group	27,170	14,568
- Minority interests		
Average number of shares		
Basic	375,556,686	377,534,217
Diluted	375,556,686	377,534,217
Basic earnings (loss) per ordinary share (Euros)	0.07	0.04
Diluted earnings (loss) per ordinary share (Euros)	0.07	0.04

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12.31.2018	12.31.2017
<b>(thousands of Euros)</b>		
<b>Profit (loss) for the year</b>	<b>27,170</b>	<b>14,568</b>
<b>Other components of comprehensive profit (loss)</b>		
<b>Other components that may be transferred to the income statement in subsequent financial periods:</b>	<b>(232)</b>	<b>146</b>
<i>Change in fair value of cash flow hedges</i>	<i>(255)</i>	<i>112</i>
<i>Profit (loss) on translation of financial statements of foreign investee companies</i>	<i>23</i>	<i>34</i>
<b>Other components that will not be transferred to the income statement in subsequent financial periods:</b>	<b>1,102</b>	<b>(562)</b>
<i>Actuarial gain (loss) on employee benefits</i>	<i>1,102</i>	<i>(562)</i>
<b>Total other components of the comprehensive profit (loss)</b>	<b>870</b>	<b>(416)</b>
<b>Total comprehensive profit (loss)</b>	<b>28,040</b>	<b>14,152</b>
Total comprehensive profit (loss) attributed to:		
- Group	28,040	14,152
- Minority interests		

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	12.31.2018	12.31.2017
<b>(thousands of Euros)</b>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible assets	245,900	192,570
Goodwill	4,845	
Intangible assets	10,179	4,613
Intangible assets with an indefinite useful life	3,566	3,948
Equity investments	694	4,577
Deferred tax assets	678	1,256
Other receivables	8,710	17,764
<b>Total non-current assets</b>	<b>274,572</b>	<b>224,728</b>
<b>Current assets</b>		
Inventories	107,138	83,659
Trade receivables	73,191	63,736
- of which related parties		350
Receivables from associates and joint ventures	6,778	7,126
Other receivables	11,766	11,204
Other receivables from associates and joint ventures		0
Cash and cash equivalents	31,180	19,128
<b>Total current assets</b>	<b>230,053</b>	<b>184,853</b>
<b>TOTAL ASSETS</b>	<b>504,625</b>	<b>409,581</b>



	12.31.2018	12.31.2017
<b>(thousands of Euros)</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity</b>		
Share capital	140,000	140,000
Other reserves	30,081	19,363
Retained earnings (losses)	(2,433)	(5,466)
Profit (loss) for the year	27,170	14,568
<b>Shareholders' equity attributable to the Group</b>	<b>194,818</b>	<b>168,465</b>
Minority interests		
<b>Total shareholders' equity</b>	<b>194,818</b>	<b>168,465</b>
<b>Non-current liabilities</b>		
Payables to banks and other lenders	75,858	44,277
Derivative instruments	488	138
Other payables	104	26
Deferred taxes liabilities	11,004	8,924
Employee benefits	32,778	33,950
Non-current provisions for risks and charges	4,634	4,701
<b>Total non-current liabilities</b>	<b>124,866</b>	<b>92,016</b>
<b>Current liabilities</b>		
Payables to banks and other lenders	20,354	19,512
Derivative instruments	296	133
Trade payables	130,409	105,027
- of which related parties	1	28
Payables to associates and joint ventures		952
Other payables	22,401	20,777
Other payables to associates and joint ventures	101	
Current taxes	8,979	1,501
Employee benefits	212	141
Current provisions for risks and charges	2,189	1,057
<b>Total current liabilities</b>	<b>184,941</b>	<b>149,100</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>504,625</b>	<b>409,581</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

	12.31.2018	12.31.2017
<b>(thousands of Euros)</b>		
Profit (loss) for the year	27,170	14,568
Taxes	12,914	6,228
Depreciation and amortization	23,777	22,332
Losses (gains) from investments	(3,043)	(446)
Financial (income) expenses	2,444	2,530
Capital losses (gains) on sale of fixed assets	(287)	179
Change in provisions for in employee benefits and in other provisions including the provision for bad and doubtful receivables	(411)	(1,586)
Change in inventories	(4,628)	(592)
Change in trade receivables	12,664	(5,604)
- of which related parties	350	(442)
Change in trade payables	(11,268)	2,380
- of which related parties	(27)	360
<b>Total change in working capital</b>	<b>(3,232)</b>	<b>(3,816)</b>
<b>Gross cash flows</b>	<b>59,332</b>	<b>39,989</b>
Interest paid in the year	(1,455)	(1,696)
Taxes paid in the year	(5,445)	(4,115)
<b>Cash flows from operating activities</b>	<b>52,432</b>	<b>34,178</b>
Other equity investments		(1,742)
Investment net of disinvestment in tangible and intangible assets	(24,514)	(20,573)
Change in scope of consolidation	(36,513)	(10,050)
Other investments		
Dividends received	103	120
<b>Cash flows from investing activities</b>	<b>(60,924)</b>	<b>(32,245)</b>
Dividends paid	(1,172)	(1,003)
Treasury shares	(577)	(301)
Change in other financial assets and liabilities and short-term bank debts	(5,448)	2,591
- of which related parties		4
Change in medium/long-term loans	23,828	(13,457)
<b>Cash flows from financing activities</b>	<b>16,631</b>	<b>(12,170)</b>
<b>Exchange rate translation differences</b>	<b>23</b>	<b>34</b>
<b>Change in unrestricted cash and cash equivalents</b>	<b>8,162</b>	<b>(10,203)</b>
<b>Unrestricted cash and cash equivalents at the beginning of the period</b>	<b>19,128</b>	<b>29,331</b>
<b>Cash and cash equivalents acquired *</b>	<b>3,891</b>	
<b>Unrestricted cash and cash equivalents at the end of the period</b>	<b>31,181</b>	<b>19,128</b>

(\*) The item cash and cash equivalents acquired refers to the balance of cash and cash equivalents of PAC Service S.p.A. at January 1, 2018 and Barcelona Cartonboard S.A.U. at October 31, 2018

## STATEMENT OF INCOME

	12.31.2018	12.31.2017
Revenues from sales	233,256,383	236,195,898
- of which related parties	18,198,415	19,873,340
Other revenues	10,043,911	10,237,310
- of which related parties	7,349,938	5,351,306
Change in inventories of finished goods	1,811,865	(3,340,516)
Cost of raw materials and services	(179,618,422)	(190,807,748)
- of which related parties	(3,877,287)	(13,741,497)
Personnel costs	(25,826,737)	(23,928,086)
Other operating costs	(2,118,971)	(1,081,866)
<b>Gross operating profit</b>	<b>37,548,029</b>	<b>27,274,992</b>
Depreciation and amortization	(11,972,743)	(11,478,462)
<b>Operating profit</b>	<b>25,575,286</b>	<b>15,796,530</b>
<i>Financial expense</i>	(1,350,092)	(1,606,832)
<i>Gains (losses) on foreign exchange</i>	150,998	(334,822)
<i>Financial income</i>	362,710	353,760
Net financial income (expense)	(836,384)	(1,587,894)
Gains (losses) from investments	316,886	408,596
Taxes	(7,103,398)	(4,254,979)
<b>Profit (loss) for the year</b>	<b>17,952,390</b>	<b>10,362,253</b>

## STATEMENT OF COMPREHENSIVE INCOME

	12.31.2018	12.31.2017
<b>Profit (loss) for the period</b>	<b>17,952,390</b>	<b>10,362,253</b>
<b>Other components of comprehensive income</b>		
<b>Other components that may be transferred to the income statement in subsequent financial periods:</b>		
Change in fair value of cash flow hedges	(285,893)	109,971
<b>Other components that will not be transferred to the income statement in subsequent financial periods:</b>		
Actuarial gain/(loss) on employee benefits	53,058	23,522
<b>Total other components of the comprehensive income</b>	<b>(232,835)</b>	<b>133,493</b>
<b>Total comprehensive profit (loss)</b>	<b>17,719,555</b>	<b>10,495,746</b>

## STATEMENT OF FINANCIAL POSITION

ASSETS	12.31.2018	12.31.2017
<b>Non-current assets</b>		
Tangible assets	107,754,695	109,527,291
Intangible assets	6,962,430	3,956,483
Investments in Subsidiaries	135,987,349	84,925,234
Investments in Associates, Joint Ventures and Other Companies	151,059	2,344,078
Other receivables	1,200,590	11,024,521
<b>Total non-current assets</b>	<b>252,056,123</b>	<b>211,777,607</b>
<b>Current assets</b>		
Inventories	30,989,369	31,155,111
Trade receivables	27,545,203	32,857,383
Receivables from Group companies	13,828,635	9,062,719
Other receivables	2,244,964	3,288,670
Other receivables from Group companies	13,734,829	6,417,532
Cash and cash equivalents	26,835,193	17,550,312
<b>Total current assets</b>	<b>115,178,193</b>	<b>100,331,727</b>
<b>TOTAL ASSETS</b>	<b>367,234,316</b>	<b>312,109,334</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>12.31.2018</b>	<b>12.31.2017</b>
<b>Shareholders' equity</b>		
Share capital	140,000,000	140,000,000
Other reserves	33,236,183	25,438,661
Profit (loss) for the year	17,952,390	10,362,253
<b>Total shareholders' equity</b>	<b>191,188,573</b>	<b>175,800,914</b>
<b>Non-current liabilities</b>		
Payables to banks and other lenders	49,321,674	21,164,406
Derivative instruments	320,333	60,273
Other payables		26,051
Deferred taxes liabilities	3,034,785	3,447,349
Employee benefits	5,466,765	5,486,018
Non-current provisions for risks and charges	4,778,517	2,218,944
<b>Total non-current liabilities</b>	<b>62,922,074</b>	<b>32,403,041</b>
<b>Current liabilities</b>		
Payables to banks and other lenders	10,881,961	14,006,480
Derivative instruments	220,562	108,326
Trade payables	51,022,838	55,159,799
Payables to Group companies	2,441,579	3,796,480
Other payables	6,734,804	5,020,842
Other payables to Group companies	34,686,732	24,081,598
Current taxes	5,954,701	954,429
Employee benefits	68,411	7,121
Current provisions for risks and charges	1,112,081	770,304
<b>Total current liabilities</b>	<b>113,123,669</b>	<b>103,905,379</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>367,234,316</b>	<b>312,109,334</b>

## STATEMENT OF CASH FLOWS

	12.31.2018	12.31.2017
<b>(thousands of Euros)</b>		
Profit (loss) for the year before taxes	25,056	14,617
Amortization and depreciation	11,972	11,478
Losses (gains) from equity investments	(317)	(409)
Financial income (expense)	987	1,253
Capital losses (gains) on sale of fixed assets	(50)	(37)
Change in provisions for employee benefits and in other provisions, including the provision for bad and doubtful receivables	(101)	(533)
Change in inventories	166	1,421
Change in trade receivables	2,332	(4,130)
- of which related parties	(2,376)	(231)
Change in trade payables	(6,207)	180
- of which related parties	(2,908)	(365)
Total change in working capital	(3,709)	(2,529)
<b>Gross cash flows</b>	<b>33,838</b>	<b>23,840</b>
Interest paid in the year	(983)	(1,030)
- of which related parties	(161)	(112)
Interest received in the year	363	120
- of which related parties	147	94
Taxes paid in the year	(2,729)	(696)
<b>Cash flow from operating activities</b>	<b>30,489</b>	<b>22,234</b>
Investment in other companies	(6)	(1,758)
Investment net of disinvestment in tangible and intangible assets	(11,369)	(8,663)
Investment net of disinvestment in subsidiaries, joint venture and related parties	(36,980)	(627)
Other investments		(10,050)
Dividends received	103	120
<b>Cash flows from investing activities</b>	<b>(48,252)</b>	<b>(20,978)</b>
Change in other financial assets and liabilities and short-term payables to banks	1,648	(230)
- of which related parties	(2,452)	(1,926)
Change in medium/long-term loans	27,149	(10,273)
Dividends paid	(1,172)	(1,003)
Purchase of treasury shares	(577)	(301)
<b>Cash flow from financing activities</b>	<b>27,048</b>	<b>(11,807)</b>
<b>Change in unrestricted cash and cash equivalents</b>	<b>9,285</b>	<b>(10,551)</b>
<b>Unrestricted cash and cash equivalents at the beginning of the year</b>	<b>17,550</b>	<b>28,101</b>
<b>Unrestricted cash and cash equivalents at end of the year</b>	<b>26,835</b>	<b>17,550</b>

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