Report Financial Half-yearly 06302019

NET REVENUES: €362.2 MILLION
(COMPARED WITH €307.9 MILLION AS AT JUNE 30, 2018)

GROSS OPERATING PROFIT (EBITDA): €38.9 MILLION
(COMPARED WITH €37.4 MILLION AS AT JUNE 30, 2018)

OPERATING PROFIT (EBIT): €24.5 MILLION
(COMPARED WITH €26.1 MILLION AS AT JUNE 30, 2018)

NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF € 16.7 MILLION
(PROFIT OF €21.3 MILLION AS AT JUNE 30, 2018)

NET FINANCIAL DEBT: € 69.8 MILLION
(€66.8 MILLION AS AT DECEMBER 31, 2018)

Reno De Medici S.p.A.
Viale Isonzo 25, Milan, Italy
Share capital €140,000,000
Tax code and VAT number 00883670150

CONTENTS

1.BOARD OF DIRECTORS AND AUDITORS

Board of Directors

Eric Laflamme	Chairman
Michele Bianchi	Chief Executive Officer
Allan Hogg	Director
Giulio Antonello	Director
Gloria Francesca Marino	Director
Laura Guazzoni	Director
Sara Rizzon	Director

Board of Statutory Auditors

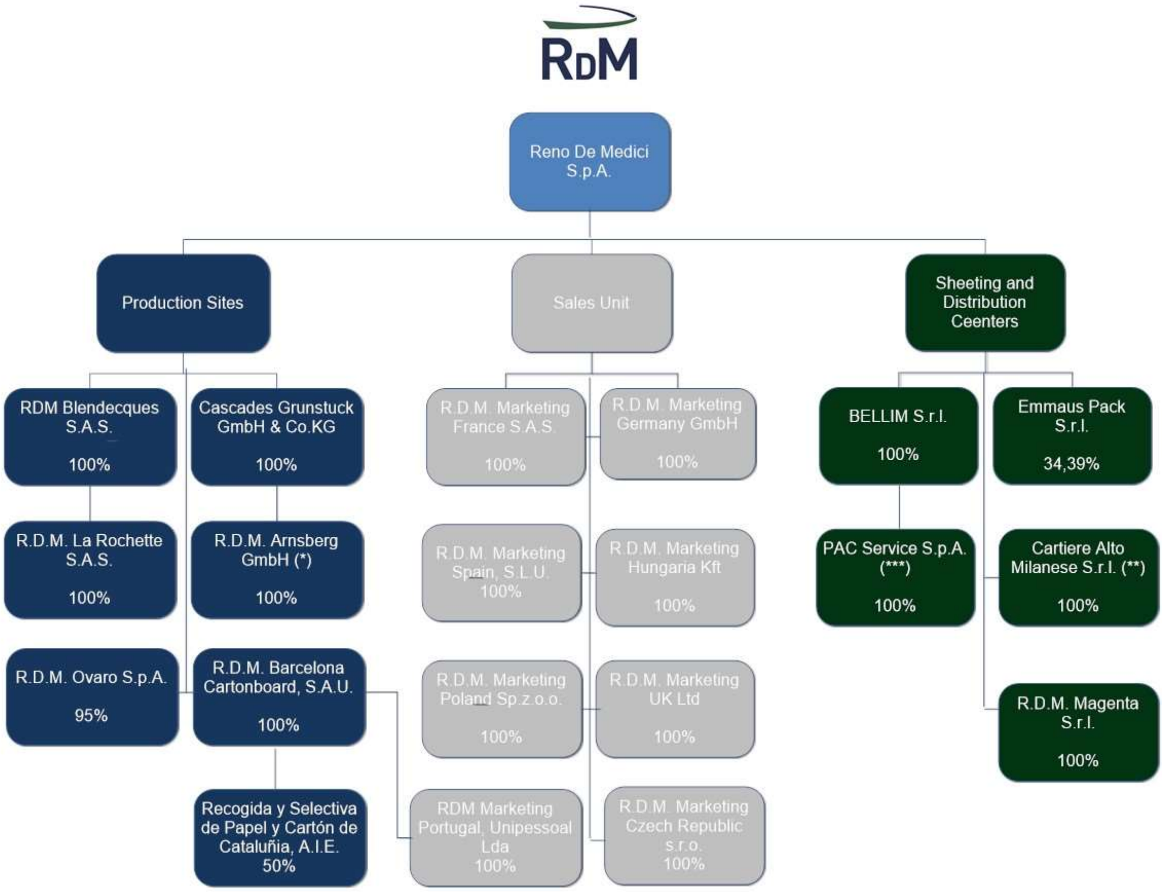
Giancarlo Russo Corvace	Chairman
Giovanni Maria Conti	Statutory Auditor
Tiziana Masolini	Statutory Auditor
Francesca Marchiori	Deputy Statutory Auditor
Domenico Maisano	Deputy Statutory Auditor

Independent Auditors

Deloitte & Touche S.p.A.

2. GROUP OPERATING COMPANIES AS AT JUNE 30, 2019

The graph below summarizes the companies of Reno De Medici Group ("RDM Group" or the "Group").



(*) 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.

3. Introduction

This half-year financial report as at June 30, 2019 has been prepared in accordance with Legislative Decree 58/1998, as amended, and the Issuers' Regulation issued by Consob.
The condensed consolidated half-year financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee and presented in accordance with IAS 34 – Interim Financial Statements, applying the same accounting standards adopted in preparing the consolidated financial statements as at December 31, 2018, except for what described in the next section "IFRS and IFRIC accounting standards, amendments and interpretations already approved by the European Union".

4. Interim report on operations

The RDM Group closed the first half of 2019 with excellent results despite the fact that the second quarter showed, in line with the previous quarter, a weakening of the main European economies with a consequent decrease in demand on the main reference markets of the Group together along with a generalized tension on the sales prices.

In the first quarter of 2019, EBITDA amounted to € 38.9 million compared to 37.4 in 2018; its impact on sales revenues was 10.7%, in line with the first quarter of 2019 (10.4%) and the 2018 yearly average.
Net profit amounted to € 16.7 million compared to € 21.3 million in the first quarter of 2018. The significant decrease is linked mainly to € 3.2 million from investment income recorded in 2018, the greater percentage impact of the cost for amortization and depreciation owing to Barcelona Cartonboard S.A.U., and to the higher financial charges related to Barcelona Cartonboard.

The results for the first half-year of 2019 include Barcelona Cartonboard S.A.U., consolidated for the first time during the last quarter of 2018, which contributes to the result with an EBITDA of € 4.5 million and a net profit of € 2.4 million.

Similar to the previous year, the RDM Group continued its activity during the first half-year of 2019, in line with its strategy, in the implementation and consolidation of numerous projects aimed at mitigating the cyclical nature of the sector to which it belongs. The most important initiatives are those concerning the optimization of the production mix, the allocation of orders amongst various plants based on efficiency criteria, cost reduction and price policies on the various markets. These initiatives, which have already brought important benefits in the 2018 financial year, continue and will continue throughout the current and subsequent financial years with the aim of achieving and consolidating important improvements in structural profitability with a consequent improvement in financial standing.
In the first half-year of 2019, the integration of Barcelona Cartonboard S.A.U. began, and significant synergies are expected to be achieved in this respect during the current year and the following year.

The consolidated net debt as at 30 June 2019 amounts to € 69.8 million, i.e. an increase of € 3 million compared to December 2018 (€ 66.8 million).
The increase in debt is due mainly to the application of the new IFRS 16 principle which resulted in an effect of € 12.7 million. Net of this effect, the RDM Group's debt would be € 57.1 million, i.e. an improvement of € 9.7 million compared to the end of 2018.

The level of gearing[1] showed an improvement, i.e. from 0.26 to 0.25.

BUSINESS STRATEGY

The segment in which the RDM Group operates traditionally, namely the WLC - White Lined Chipboard (coated cartonboard for packaging on a recycled base) which has an incidence on consolidated turnover exceeding 84% during the first half-year of 2019 marked a total demand of 0.7% lower than the previous year. The reduction was generalized and pertained both to the European markets and "overseas" markets. The largest reductions in Europe were recorded in France (-7.2%), UK (-2.5%) and Germany (-2.4%). In Italy, the main reference market of the RDM Group, the reduction was lower (-1.2%). The main volume reductions were offset by growth in the Iberian Peninsula (+ 3.4%) and in Eastern Europe (+ 2.3%). RDM, net of the increase in volumes due to the consolidation of Barcelona Cartonboard, recorded a decline slightly over the market, of 1%. Almost all RDM paper mills recorded trends in line with the

1 The gearing was calculated as the ratio between the net financial position / (net financial position + net equity).

market; the greatest decline overall is almost entirely due to the Villa Santa Lucia plant which suffered during previous quarters from problems of global efficiency and quality. The problems were resolved during the first quarter of 2019, and the recovery of the market shares consequently lost is underway. Noteworthy is the increase in “overseas” RDM volumes (+7.5%) compared to the market decrease (-0.5%) which responds to a strategic decision to offset the lower volumes on the reference markets, especially for the Villa Santa Lucia production site.

To protect and increase margins, RDM continues to optimize its order portfolio through the new sales organisation and a dedicated corporate function.

As regards the main factors of production, after the sharp decrease in prices recorded starting from September 2017 and the achievement in March 2018 of the minimum level recorded on the market by the 2009 crisis, the price of paper for pulping did not record any significant changes in the subsequent quarters of 2018. In the first half-year of 2019 the price remained substantially stable recording some downward trend. The downward trend in the prices of recycled paper is due to the now known restrictions imposed by the Chinese Government on imports of unsorted waste paper and the restrictions on the release of licenses that have created an excess of supply that has pushed down prices. To date, there are no forecasts in terms of policy changes by the Chinese authorities, which maintain the goal of canceling imports starting from 2021.

The FBB - Folding Box Board (cartonboard for folding cartons made with virgin fibers) segment, which has an incidence on consolidated turnover of 16%, recorded a decline in market demand in terms of tons of 4.6% to be compared with the 7.9% reduction recorded by RDM Group. The EBITDA margin of the La Rochette plant (4.7% as of June 2019) was able to benefit from the price increase announced at the end of last year; a factor that allowed, together with the slight decrease in the cost of virgin raw materials, to bring the FBB segment, heavily penalized in 2018, back to profit. Production volumes were in line with the same period of the previous year, while volumes sold contracted (-7.9%), although, considering the second quarter of 2019, this is an improvement compared to the previous quarter. The lower volumes are due mainly to the market trend and to the aggressive price policy implemented by La Rochette.

As regards virgin cellulosic fibers, prices reached their peak in June 2018 (approximately US$ 1,230/TON) and stabilized during the subsequent quarters. Starting from December 2018, the first downward changes were recorded on both types of virgin fibers, and these materialized in the first first half-year of 2019, achieving approximately US$ 950 /TON. The short-term

forecasts envisage a further fall in prices until the September to then consolidate or invert the trend depending on global demand and the performance of the economies.
The dynamics of sales prices and raw materials led to an average value added in the first half-year of 2019 higher than in the previous year.

Energy costs, after the substantial increase recorded in 2018, an increase that affected all the main sources of energy supply, i.e. natural gas, electricity, coal, recorded a turnaround starting from the last quarter of the previous year. The deterioration of growth expectations led to a halt of the upward trend in the last half-year and to a substantial reduction in prices, especially gas and coal, in the first quarter of 2019. In terms of results, the positive impact in the first half-year of 2019 was limited by the medium-term agreements signed out during the previous year. Greater benefits are expected for subsequent quarters, which we estimate should offset the higher costs recorded in the first half-year.

OPERATING INVESTMENTS

In the first half-year of 2019, the Group carried out **Investments** for € 9.8 million, compared to € 6.4 million in the 2018 half-year. The main investments in the first half-year of 2019 include the renovation of parts of the gas turbine at the Barcelona plant, the new paper cutter at the cutting center in Magenta and the start of some strategic 2019 investments such as the Barcelona winder, the waste washing machine of S. Giustina and the intervention on the S. Giustina continuous machine aimed at increasing productivity. Implementation of the new ERP is ongoing.

NET FINANCIAL POSITION

Consolidated Net Debt as at 30 June 2019 amounts to € 69.8 million, i.e. an increase of € 3 million compared to € 66.8 million as at 31 December 2018.
As already mentioned, the worsening occurred mainly due to the application of the new IFRS 16 principle, which led to the recognition of financial liabilities linked to the different treatment of operating lease contracts, with an overall effect of € 12.7 million.
Net of this effect, debt improves by € 9.7 million compared to December 2018.

Net operating cash flow was positive for 22.5 million Euro with an increase in working capital compared to December 2018 due to the annual payment of customer and employee bonuses, and the increase in the level of raw materials and finished products. It is noted that dividends were paid in May for a total amount of € 2.6 million.

CONSOLIDATED RESULTS

The table below shows the summary indicators of the income statement as at 30 June 2019 and 2018.

	06.30.2019	06.30.2018
(thousands of Euro)		
Revenues from sales	**362,235**	**307,917**
GROSS OPERATING PROFIT (EBITDA) (1)	**38,916**	**37,410**
Operating profit (EBIT) (2)	**24,521**	**26,081**
Pre-tax income (3)	**22,278**	**28,251**
Current and deferred taxes	*(5,620)*	*(6,994)*
Profit (loss) for the period	**16,658**	**21,257**

1) See "Gross operating profit" in the consolidated financial statements of RDM Group

2) See "Operating profit" in the consolidated financial statements of RDM Group

3) See "Profit (loss) for the period – Taxes" in the consolidated financial statements of RDM Group

Sales Revenues amounted to € 362.2 million compared to € 307.9 million during the same period of 2018. The increase in revenues is attributable mainly to the different scope of consolidation due to the entry, starting 31 October 2018, of RDM Barcelona Cartonboard (+ € 67 million). On a same consolidation basis, Sales Revenues decreased by € 12.6 million, following a weaker demand, which characterized the WLC market and FBB, and following a reduction in the sales prices.

The **tons sold** during the period by the RDM Group reached 602 thousand units, compared to 523 thousand sold during the same period of 2018. The change reflects on the one hand the tons sold by Barcelona Cartonboard consolidated as from 31 October 2018, and, on the other hand, the decrease in volumes sold on a like-for-like basis with 2018. This decrease is attributable mainly to the reduction in the volumes of the Villa Santa Lucia and La Rochette plants as described above.

Compared to the first half-year of 2018, the **average selling prices** showed a slight decrease in the WLC sector only partially offset by a strong increase in prices in the FBB sector. The price trend was linked closely to the trend in demand.

The table below shows the subdivision of net revenues generated by the sale of cardboard, broken down by geographical area:

RDM GROUP	06.30.2019	Inc. %	06.30.2018	Inc. %
(thousands of Euro)				
Areas				
Italy	103,285	29 %	103,525	34 %
EU	210,976	58 %	167,171	54 %
Non-EU	47,974	13 %	37,221	12 %
Total revenues from sales	**362,235**	**100 %**	**307,917**	**100 %**

Other revenues amount to € 5.6 million, i.e. an increase of € 2.2 million compared to the same period of 2018 due mainly to the collection of Energy Efficiency Certificates ("White Certificates").

Cost for raw materials and services amounts to € 278 million, i.e. an increase of € 54 million compared to the same period of 2018, mainly due to the different scope of consolidation. Net of this effect, amounting to € 54 million, the item was affected by an average cost of waste paper and, especially, virgin fiber, which was lower than on 30 June 2018. This positive effect was offset by higher energy costs due to gas and coal prices, which were still much lower during the first half-year of 2018.

Personnel Costs amounts to € 52.5 million, i.e. an increase of € 7 million compared to the same period of 2018, attributable mainly to the different scope of consolidation.

In the first half-year of 2019, **EBITDA** has reached € 38.9 million, i.e. an increase compared to 37.4 million during the same period of 2018, with an incidence on revenues of 10.7% compared to 12.1% in 2018.

EBIT amounts to € 24.5 million, compared to 26.1 million in the first half-year of 2018. Depreciation and amortization increased by € 3 million, due mainly to the change in the scope of consolidation and due to the application, starting from 1 January 2019, of the new IFRS16 accounting standard whereby the costs for rentals and leases must be capitalized and depreciated.

Net Financial Charges amounts to € 2.3 million, an increase compared to the million of 2018. The increase of € 1.3 million is essentially due to the different scope of consolidation (+ € 0.6 million), to the application, starting from 1 January 2019, of the new IFRS 16 standard as a result of which financial charges on leases for € 0.2 million were recognized, to the increase in exchange losses (+ € 0.2 million).

Profits from Equity Investments amounts to € 86 thousand, against the final € 3.2 million reported in 2018. The amount as at 30 June 2018 included the valuation at *fair value* of the investment, equal to 33.33%, in PAC Service S.p.A. following the acquisition, in 2018, of the remaining share package, i.e. 66.67%, and the consequent change in the consolidation method from Net equity to Full consolidation method.

The allocation for **Taxes** is equal to € 5.6 million compared to € 7 million in 2018; the change is linked to the lower taxable income.

Consolidated Net Profit reaches € 16.7 million, i.e. a decrease compared to € 21.3 million reported as at 30 June 2018. The significant decrease is attributable mainly to the € 3.2 million of profits from investments recorded in 2018 and to the greater financial charges recorded in the 2019 financial year.

FINANCIAL PERFORMANCE SECOND QUARTER 2019

(thousands of Euro)	II Q 2019	II Q 2018	Delta	Delta %
Revenues from sales	178.529	150.291	28.238	19%
Other revenues	3.157	1.799	1.358	75%
Change in inventories of finished goods	2.415	3.027	(612)	(20%)
Cost of raw materials and services	(137.294)	(111.249)	26.045	23%
Personnel costs	(25.803)	(23.039)	2.764	12%
Other operating costs	(1.149)	(1.540)	(391)	(25%)
Gross operating profit	**19.855**	**19.289**	**566**	**3%**
Depreciation and amortization	(7.299)	(5.969)	(1.330)	22%
Operating profit	**12.556**	**13.320**	**(764)**	**(6%)**
Net Financial income (expense)	(1.421)	(292)	(1.129)	387%
Gains (losses) from investments	(16)		(16)	0%
Result before taxes	**11.119**	**13.028**	**(1.909)**	**(15%)**
Taxes	(2.409)	(4.600)	(2.191)	(48%)
Profit (loss) for the year	**8.710**	**8.428**	**282**	**3%**

The results for the second quarter of 2019 are substantially in line with the same quarter of the previous year and include RDM Barcelona Cartonboard S.A.U., consolidated for the first time in the last quarter of 2018.

Net of the Barcelona Cartonboard S.A.U. effect, total sales revenues would be € 146.2 million, down by 2.7% compared to the same quarter of the previous year, EBITDA would amount to € 17.5 million (€ -1.8 million compared to 2018) and the net result would be equal to € 7.4 million, a decrease of € 1 million compared to the second quarter of 2018.

The decline in sales revenues is attributable substantially to a lower average sales price compared to the same quarter of 2018.

The sales prices of the quarter discount the weakness in terms of demand of the RDM Group's reference markets in the first half of 2019, but also the decrease already occurred in the second part of the 2018 financial year.

Sales volumes show a moderate decline (-0.6%) compared to the second quarter of 2018 and recorded an improvement with respect to the previous quarter. The downturn also discounts the one-week shut downs at the Ovaro and La Rochette plants in the April-May period, which occurred during a period of weak demand, also due to the concurrence of different holidays, in order to rationalize maintenance activities and maintain profitability.

The lower level of EBITDA compared to the second quarter of 2018 is ascribable mainly to the effect of the lower average selling price, only partially offset by lower raw material costs due to lower average purchase prices and the achievement of important production efficiencies. In the second quarter, energy costs will continue to be higher than in the previous year with important benefits, however, deriving from the dynamics of energy prices and from efficiency improvement activities, expected for the second half of the year.
The limited decrease in the net result is attributable mainly to a lower tax burden compared to the same quarter of the previous year due to a lower taxable profit.

Main risks and uncertainties to which Reno de Medici Group is exposed

In the course of its business activities, Reno De Medici Group is exposed to external risks and uncertainties, deriving from exogenous factors associated with the general or specific macroeconomic context of the operating segment in which such activities are carried out, as well as risks deriving from strategic choices and internal operational risks.
For a detailed analysis of the risks, see section 5.6.2 of the illustrative notes, as well as the “Outlook” section.

Key events

On 21 June 2019, Reno De Medici S.p.A., in accordance with the agreements signed with **Friulia S.p.A.** in 2017, repurchased, at a cost of €669.134, a further 5% stake of the shareholding owned by Friulia S.p.A. in R.D.M Ovaro S.p.A. Following this operation, the remaining share still held by Friulia S.p.A. is equivalent to 5% and will be repurchased on 30 June, in 2020.

Other information

<u>Authorization to buy and sell treasury shares</u>

Following the expiry of the term of the previous authorization granted by the Shareholders' Meeting of November 2, 2015, the Shareholders' Meeting of April 29, 2019 adopted the resolutions authorizing the purchase and sale of ordinary treasury shares pursuant to Articles 2357 and 2357-ter of the Italian Civil Code.

Below, the main elements of the Plan authorized by the Shareholders' Meeting:

Rationale

- to sell the treasury shares purchased, or which are already in the portfolio, against allotment of these shares in the context of the Stock Grant Plan reserved for the CEO of the Company as established by the Shareholders' Meeting held on April 28, 2017 in accordance with Article 114-*bis* of the TUF;
- to use the treasury shares purchased, or which are already in the portfolio, to service any further compensation plans based on financial instruments pursuant to Article 114-*bis* of the TUF, reserved for Reno De Medici S.p.A. directors and/or employees as well as for free share allotment programs to shareholders.
- to provide the company with a portfolio of its own shares (the "stock of securities") to be used for any extraordinary transactions;
- to avail itself of investment or disinvestment opportunities (based on available liquidity) if this is deemed to be strategic by the Board of Directors;
- to use treasury shares to exercise any rights, including conversion rights, deriving from financial instruments issued by the Company, its subsidiaries or third parties;
- to pursue any activities in support of market liquidity.

Duration

Until the Shareholders' Meeting convenes to approve the 2019 financial statements and, in any case, for no longer than 18 months from the date of the resolution.

The authorization to dispose of treasury shares is not subject to time limits.

Maximum number of shares that can be purchased

No more than one fifth of the share capital, considering the treasury shares already held by the Company and any shares acquired by subsidiaries.

Any purchase transactions would be conducted up to the distributable profits and available reserves resulting from the last financial statements approved at the time each transaction is executed.

Purchase procedure / minimum and maximum price

The purchases would be made on regulated markets pursuant to Article 132 of Legislative Decree no. 58 of February 24, 1998 and Article 144-*bis*, paragraph 1, letter B of Consob Regulation 11971/99 according to operating procedures established in the regulations for the organization and management of those markets, which do not allow offers to buy to be directly combined with predetermined offers to sell.

The minimum and maximum purchase price is a unit price that does not differ by more than 10% (upwards or downwards), from the reference price recorded on the Mercato Telematico Azionario which is organized and managed by Borsa Italiana S.p.A. in the stock exchange session prior to each individual purchase transaction.

With regard to daily prices and volumes, the purchase transactions would in any case be conducted in compliance with the trading terms and conditions provided for by the Delegated Regulation (EU) no. 1052 of March 8, 2016.

Any purchases made to support market liquidity and for the purchase of treasury shares for the formation of a "stock" of securities, will also be made in compliance with the conditions provided for by market practices as per the combined provisions of Article 180, paragraph 1, letter C) of the TUF and Article 13 of Regulation (EU) 596/2014.

<u>Purchase of treasury shares in the first half of 2019</u>

As at June 30, 2019, Reno De Medici S.p.A. held a total of 2,262,857 treasury shares or 0.599% of the share capital reaching the maximum number of shares to be purchased as defined in the share buy-back program.

In the first half of 2019, Reno De Medici S.p.A. did not carry out any buyback transactions nor did any subsidiaries purchase or dispose of Reno de Medici S.p.A. shares.

Stock Grant Plan for the three-year period 2017/2018/2019 reserved for the CEO. Verification of the achievement of the performance objectives for the financial year 2018.

During the six-month reference period, with the support of the Remuneration Committee, the Board of Directors ascertained the achievement of the performance objectives set for the 2018 financial year in relation to the Stock Grant Plan for the three-year period 2017/2018/2019 reserved for the CEO, as established by the Shareholders' Meeting of April 28, 2017 pursuant to Article 114-*bis* of the TUF.

Regarding the objectives and for more details on the Plan, please see the prospectus drafted pursuant to Article 84-*bis* of Consob’s Issuers Regulation 11971/1999, which is available at www.rdmgroup.com and via the authorized storage facility eMarketStorage.com.

Outlook

The macroeconomic scenario for the remaining part of 2019 continues to feature elements of uncertainty already pointed out in the Interim Management Report as at 31 March 2019, i.e. the Brexit effect, China-US relations, the geopolitical situation of some Countries (Middle East and South America). It is still difficult to predict the medium-term impact of these elements on the European economic trend, the main end market for the RDM Group.

In both sectors in which the RDM Group operates, **White Lined Chipboard (WLC)** and **Folding Box Board (FBB)**, the short-term outlook continues to remain positive compared to the previous quarter. Considering a certain weakness in demand and selling prices, the dynamics of raw material prices and energy costs render it possible to mitigate market weaknesses with respect to sales and maintain positive expectations in terms of profitability. Concerning the demand level, the month of July is expected to be in line with the previous year with good prospects for the quarter even if the month of August is difficult to predict in that it is linked to the closure policies of the companies in the supply chain.

The prices of **waste paper** should remain stable or decrease slightly over the next two quarters within an overall context featuring the persistence of restrictions imposed by the Chinese government on imports.

As regards **virgin fibers**, it is expected that prices, after the reduction in the first half of 2019, will maintain the level reached up to the summer and then stabilize or invert the trend depending on global demand and the trend of the economies.

With respect to **selling prices**, for the segment **WLC,** a continued tension is expected in the next quarter, more or less accentuated according to the weakness of demand and substantially in line with the dynamics recorded in the first half-year. In the **FBB** segment, it is expected that the price increases realized in the first quarter of 2019 will be consolidated, even if the substantial drop in the price of virgin raw materials can lead to a strained increase in this regard.

In regard to **energy prices,** it is expected that in the subsequent half-year the benefits deriving from the decrease in prices already occurred in the first quarter of 2019, in particular for gas and coal, will be achieved.

In 2019-2020, the **RDM Group** will continue to pursue the program of initiatives already launched in 2018, strengthening its leadership, optimizing production and improving the service offered to customers, in order to obtain the levels of profitability achieved in 2018 structurally stable over time. A portion of the program will go through the integration of **Barcelona Cartonboard** in view of multi mill.

Intragroup and related-party transactions

In implementation of Article 2391-*bis* of the Italian Civil Code and in accordance with the general principles set out in the "Regulation on Related Party Transactions" (the "OPC Regulation"), issued by Consob with resolution No. 17221 of March 12, 2010 as it was subsequently amended, on November 8, 2010, the Board of Directors approved the "Procedure for Related Party Transactions" (the "Procedure"). The Procedure have been reviewed on August 3, 2011 and it is actually under revision.
The Procedure is available at www.rdmgroup.com - in the Governance section > Committees and other bodies > Related Parties Committee.

Including with regard to the provisions of Article 5, paragraph 8 of Consob Regulation, it should be noted that during the half-year under review:

- no transactions of greater importance were concluded, as these are defined in Reno de Medici Procedures in compliance with the provisions of the Consob Regulation;
- there were no transactions with related parties, as these are defined pursuant to Article 2427, paragraph 2, of the Italian Civil Code, with a material impact on the financial position or results of the companies;
- there were no changes or developments of related party transactions described in the last annual report that had a material effect on the financial position or results of the company during the reporting period.

Information on related-party transactions, including the information required by the Consob Notice of July 28, 2006, is presented in Note 5.7 to the condensed consolidated half-year financial statements as at June 30, 2019.

Reno De Medici Group

Condensed consolidated half-year financial statements

as at June 30, 2019

5. Condensed consolidated half-year financial statements as at June 30, 2019

5.1. Consolidated income statement

	Note	06.30.2019	06.30.2018
(thousands of Euro)			
Revenues from sales	1	362,235	307,917
- of which related parties		*5,880*	*7,027*
Other revenues	2	5,594	3,372
- of which related parties		*50*	*57*
Change in inventories of finished goods	3	4,588	(1,631)
Cost of raw materials and services	4	(278,289)	(224,364)
- of which related parties		*(102)*	*(45)*
Personnel cost	5	(52,487)	(45,358)
Other operating costs	6	(2,725)	(2,526)
Gross operating profit		**38,916**	**37,410**
Depreciation and amortization	7	(14,395)	(11,329)
Operating profit		**24,521**	**26,081**
Financial expense		*(2,331)*	*(1,090)*
Gains (losses) on foreign exchange		*(75)*	*78*
Financial income		77	10
Net financial income (expense)	8	(2,329)	(1,002)
Gains (losses) on investments	9	86	3,172
Taxes	10	(5,620)	(6,994)
Profit (loss) for the period		**16,658**	**21,257**
Total profit (loss) for the period attributable to:			
- Group		16,658	21,257
- Minority interests			
Average number of shares			
Basic		377,543,310	377,535,453
Diluted		377,543,310	377,535,453
Basic earnings (loss) per ordinary share (Euro)		0.06	0.06
Diluted earnings (loss) per ordinary share (Euro)		0.06	0.06

5.2. Consolidated statement of comprehensive income

	06.30.2019	06.30.2018
(thousands of Euro)		
Profit (loss) for the period	**16,658**	**21,257**
Other components of comprehensive profit (loss)		
Other components that may be transferred to the income statement in subsequent financial periods:	**14**	**15**
Change in fair value of cash flow hedges	19	21
Profit (loss) on translation of financial statements of foreign investee companies	(5)	(6)
Total components of comprehensive profit (loss)	**14**	**15**
Total comprehensive profit (loss)	**16,672**	**21,272**
Total comprehensive profit (loss) attributed to:		
- Group	**16,672**	**21,272**
- Minority interests		

All values in the table are stated net of related tax effects.

5.3. Consolidated statement of financial position

	Note	06.30.2019	12.31.2018
(thousands of Euro)			
ASSETS			
Non-current assets			
Tangible assets	11	242,514	245,900
Right of Use	12	12,717	
Goodwill	13	4,845	4,845
Intangible assets	14	9,834	10,179
Intangible assets with an indefinite useful life	14	3,566	3,566
Equity investments	15	697	694
Deferred tax assets		554	678
Other receivables	18	5,989	8,710
Total non-current assets		**280,716**	**274,572**
Current assets			
Inventories	17	112,394	107,138
Trade receivables	16	86,800	73,191
Receivables from associates and joint ventures	16	7,246	6,778
Other receivables	18	11,274	11,766
Derivative instruments	19	1,012	
Cash and cash equivalents	19	29,960	31,180
Total current assets		**248,686**	**230,053**
TOTAL ASSETS		**529,402**	**504,625**

	Note	06.30.2019	12.31.2018
(thousands of Euro)			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		140,000	140,000
Other reserves		30,993	30,081
Retained earnings (losses)		21,206	(2,433)
Profit (loss) for the period		16,658	27,170
Shareholders' equity attributable to the Group		**208,857**	**194,818**
Minority interests			
Total shareholders' equity	20	**208,857**	**194,818**
Non-current liabilities			
Payables to banks and other lenders	19	73,542	75,858
Derivative instruments	19	1,048	488
Other payables			104
Deferred taxes liabilities		9,376	11,004
Employee benefits	22	32,608	32,778
Non-current provision for risks and charges	23	4,340	4,634
Total non-current liabilities		**120,914**	**124,866**
Current liabilities			
Payables to banks and other lenders	19	23,877	20,354
Derivative instruments	19	714	296
Trade payables	24	133,939	130,409
- of which *related parties*		*1*	*1*
Other payables	21	26,558	22,401
Other Payables to associates and joint ventures		101	101
Current taxes		12,871	8,979
Deferred taxes		337	
Employee benefits	22	214	212
Current provision for risks and charges	23	1,020	2,189
Total current liabilities		**199,631**	**184,941**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**529,402**	**504,625**

5.4. Consolidated statement of changes in shareholders’ equity

	Share Capital	Treasury shares reserve	Legal reserve	Other reserves	Retained earnings (losses)	Profit (loss) for the period	Hedging reserve	Reserve for “Actuarial gain/(loss)”	Total Shareholders’ Equity (Group)	Total Shareholders’ Equity (minority shareholders)	Total Shareholders’ equity
(thousands of Euro)											
Shareholders’ equity at 12,31,2017	**140,000**	**(483)**	**959**	**26,606**	**(5,466)**	**14,568**	**(201)**	**(7,518)**	**168,465**		**168,465**
Dividends distributed						(1,172)			(1,172)		(1,172)
Allocation of profit (loss) for the period			518	9,844	3,034	(13,396)					
Purchase of Treasury shares											
Stock Grant reserve				259					259		259
IFRS 9				(503)					(503)		(503)
Profit (loss) for the period						21,257			21,257		21,257
Other components of comprehensive profit (loss)				(6)			21		15		15
Total comprehensive profit (loss)				**(6)**		**21,257**	**21**		**21,272**		**21,272**
Shareholders’ equity at 06,30,2018	**140,000**	**(483)**	**1,477**	**36,200**	**(2,432)**	**21,257**	**(180)**	**(7,518)**	**188,321**		**188,321**

(thousands of Euro)	Share Capital	Treasury shares reserve	Legal reserve	Other reserves	Retained earnings (losses)	Profit (loss) for the period	Hedging reserve	Reserve for "Actuarial gain/(loss)"	Total Shareholders' Equity (Group)	Total Shareholders' Equity (minority shareholders)	Total Shareholders' equity
Shareholders' equity at 12.31.2018	**140,000**	**(1,060)**	**1,477**	**36,536**	**(2,433)**	**27,170**	**(456)**	**(6,416)**	**194,818**		**194,818**
Dividends distributed						(2,633)			(2,633)		(2,633)
Allocation of profit (loss) for the period			898		23,639	(24,537)					
Purchase of Treasury shares											
Stock Grant reserve											
IFRS 9											
Profit (loss) for the period						16,658			16,658		16,658
Other components of comprehensive profit (loss)				(5)			19		14		14
Total comprehensive profit (loss)				**(5)**		**16,658**	**19**		**16,672**		**16,672**
Shareholders' equity at 06.30.2019	**140,000**	**(1,060)**	**2,375**	**36,531**	**21,206**	**16,658**	**(437)**	**(6,416)**	**208,857**		**208,857**

5.5. Consolidated statement of cash flows

	06.30.2019	06,30,2018
(thousands of Euro)		
Profit (Loss) for the period	16,658	21,257
Taxes	5,620	6,994
Depreciation and amortization	14,395	11,329
Losses (gains) from investments		3,172
Financial (income) expense	2,329	1,002
Write-downs (revaluations) of financial assets	(67)	(24)
Capital losses (gains) on sale of fixed assets	(11)	(272)
Change in provisions for in employee benefits and in other provisions including the provision for bad and doubtful receivables	(2,141)	454
Change in inventories	(5,032)	3,223
Change in trade receivables	(11,330)	(8,323)
- of which related parties		*347*
Change in trade payables	5,371	(9,271)
- of which related parties		*(22)*
Total change in working capital	**(10,991)**	**(14,371)**
Gross cash flows	**25,792**	**23,196**
Interest paid in the year	(1,767)	(740)
Taxes paid in the year	(1,531)	(881)
Cash flow from operating activities	**22,494**	**21,576**
Other equity investments	1	
Investment net of disinvestment in tangible and intangible assets	(9,385)	(6,070)
Dividends received	62	103
Cash flow from investing activities	**(9,322)**	**(5,967)**
Dividends paid	(2,633)	(1,172)
Treasury shares		
Change in other financial assets and liabilities and short-term bank debts	(11,534)	(768)
- of which related parties		
Change in medium/long-term loans	(224)	(6,006)
Cash flow from financing activities	**(14,391)**	**(7,946)**
Exchange rate translation differences	**(4)**	**(6)**
Change in unrestricted cash and cash equivalents	**(1,223)**	**7,657**
Unrestricted cash and cash equivalents at the beginning of the period	**31,181**	**19,128**
Cash and cash equivalents acquired		**2,719**
Unrestricted cash and cash equivalents at the end of the period	**29,960**	**29,504**

(*) 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.

5.6. Notes to the financial statements

Reno De Medici S.p.A. is a company which is established as a legal entity under Italian law, RDM Group operates mainly in Europe. The business of the Group is the production and distribution of cartonboard made from recycled fibers and, even if lower level, from virgin fibers.

Reno De Medici S.p.A. has its registered office in Milan, Italy.

The shares of the Parent company Reno De Medici S.p.A. are listed on the Star segment of Borsa Italiana S.p.A. and on the Madrid stock exchanges.

The condensed consolidated half-year financial statements of RDM Group were approved and authorized for publication by the Board of Directors of RDM on July 30, 2019.

5.6.1 Accounting standards and valuation criteria

The condensed consolidated half-year financial statements were prepared according to the going concern assumption.

The condensed consolidated half-year financial statements were prepared according to IAS 34 – Interim financial statements, applying the same accounting standards used to prepare the consolidated financial statements as at December 31, 2018, except for what described in the next section "IFRS and IFRIC accounting standards, amendments and interpretations already approved by the European Union".

The condensed half-year financial statements were prepared on the basis of the general principle of historical cost, except for derivative financial instruments, which are recognized at fair value, and financial liabilities, which are recognized on the basis of the amortized cost method. The carrying amount of hedged assets and liabilities which are qualified for hedge accounting is adjusted to take into account changes in the fair value due to hedged risks.
The Group has chosen to present the structure and content of its consolidated financial statements in the following manner:

- the consolidated statement of financial position is presented with separate sections for assets, liabilities and shareholders' equity. Assets and liabilities are then presented on the basis of their classification as current, non-current or held for sale;

- the consolidated income statement is presented in a vertical format with items broken down by nature, as this provides reliable and more relevant information than a classification by function;
- the consolidated statement of comprehensive income is presented separately from the consolidated income statement, and each item is shown net of the tax effect;
- the consolidated statement of cash flows is presented using the indirect method;
- the consolidated statement of changes in shareholders' equity is presented by showing the profit or loss for the period separately from any income and expense not recognized directly on the income statement, but charged directly to equity on the basis of specific IAS/IFRS accounting standards, and is presented showing transactions with shareholders separately.

Preparing the interim financial statements requires management to make assumptions that have an effect on the amounts of revenues, costs, assets and liabilities on the financial statements and on the information regarding potential assets and liabilities on the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment, should prove outdated due to differing trends in the operational context than those forecast, these would be consequently modified in the period during which the changes became manifest. For a broader description of the Group's most relevant valuation procedures, see the section "Estimates and valuations" in the consolidated financial statements as at December 31, 2018.
It should also be noted that some valuation procedures, especially the more complex ones such as the determination of possible impairment losses on non-current assets, are generally carried out in a more complete manner only for the annual financial statements, when all the detailed information is available, as well as in cases of impairment indicators requiring an immediate valuation of any impairment losses.

The balance sheet, income statement and financial situation are presented in thousands of Euro.

IFRS and IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ALREADY APPROVED BY THE EUROPEAN UNION

- IFRS 16 – Leases: it was adopted from the Group starting from January 1, 2019. The new standard establishes a single model of recognition and measurement of Leases for the Lessee without making any distinction between operating leases and finance leases; specifically, it provides, for contracts to which it applies for, the recognition of the right of use of underlying asset in the assets in the statement of financial position with the balancing entry in financial liabilities.

  The Group decided to apply the amended principle retrospectively, without restatement of comparative information. Specifically, with regard to lease agreements previously classified as operating, the Group recorded:
  a) a financial liability, equal to the current value of remaining future payments at the date of transition, discounted using the incremental borrowing rate applicable at the date of transition for each agreement;
  b) a right of use equal to the value of the financial liability at the date of transition.
  The Group decided to calculate the right of use equal to the net book value that it would have had if the principle had been applied from the start date of the contract using, however, the discount rate defined at the date of transition.

  In adopting IFRS 16, the Group has availed itself of the exemption granted by paragraph IFRS 16 5 (a) with regard to short-term leases for all classes of assets except for buildings.
  Similarly, the Group has availed itself of the exemption granted by IFRS 16 5 (b) as far as lease agreements for which the underlying asset is a low-value asset are concerned (in other words the assets underlying the lease agreement are not worth more than €5,000 when new). The contracts for which the exemption was applied mainly fall into the following categories:
  - Computers and telephones;
  - Printers.

  For these contracts the introduction of IFRS 16 has not involved the recognition of the financial liability of the lease and the related right of use, but the rent have been reported in the income statement on a linear basis for the duration of the respective agreements.

The Group has availed itself of the following practical devices provided for by IFRS 16:

- Separation of non-lease components: the Group has availed itself of the exemption granted by IFRS 16 15 for all categories of assets with the exception of buildings. The non-lease components of these assets have not been spun off and recorded separately from the lease components, but they have been considered together with the latter in calculating the financial liabilities of the lease and the related right of use.
- Portfolio approach: the Group has identified contracts with similar characteristics which can be treated as a portfolio for the category of assets “Fork-lift trucks (Plant and machinery)”.

Overall, the application of the new standard at June 30, 2019 resulted in:

- The recognition under property, plant and equipment and software of rights of use for a total of €12.7 million;
- The recognition of a financial liability for a total of €12.7 million;
- With regard to the income statement, any improvement of operating profit (EBITDA) of €1.6 million, resulting from the reversal of lease payments amounting to €1.6 million, offset by higher amortization and depreciation of €1.5 million and higher financial expense of €204 thousand;
- Impacts on gross operating profit (EBITDA), operating profit (EBIT) and net profit of the period amounting respectively to +1.6 million of Euro, +57 thousand of Euro and -147 thousand of Euro;
- The net financial position is deteriorated by €12.7 million.

The impacts of IFRS 16 are showed in the table below:

Thousands of Eur	**Impacts at the date of the transition**
Assets	
Buildings right-of-use	3.327
Plant and machinery right-of-use	2.020
Industrial and commercial equipment right-of-use	69
Other assets right-of-use	643
Total assets	***6.059***
Liabilities	
Current Liabilities	2.210
Non - current Liabilities	3.849
Total liabilities	***6.059***

In order to make a better understanding of the impact of the first-time adoption of IFRS 16, the table below shows a reconciliation between the future committments related to lease agreements and the impact from the adoption of IFRS 16 as at January 1, 2019.

Reconciliation *€/000*	**January 1, 2019**
Committements for Operative Lease at 31 December, 2018	**6.555**
Reduction for Exemption *Short Term Lease*	136
Reduction for Exemption low Value Asset	195
Gross Value Liability due to Lease at January 2019	**6.886**
Actualization	827
Liability due to Lease at 1 January 2019	**6.059**

- IFRIC 23 – Uncertainty over Income Tax Treatments;
- Amendment to IFRS 9 "Prepayment Features with Negative Compensation;
- Annual Improvements to IFRSs: 2015-2017 Cycle;
- Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Amendment to IAS 19: Plant Amendment, Curtailment or Settlement.

No impacts were booked in the Half-year consolidated financial statement following the introduction of the above Principles and amendments.

IFRS and IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

- IFRS 17 – Insurance Contracts;
- Amendment to IFRS 3: "Definition of a Business";
- Amendment to IAS 1 e IAS 8: "Definition of material";
- Amendment to IFRS 10 e IAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint-Venture;

- IFRS 14 – Regulatory Deferral Accounts;

The company is currently performing the qualitative analyses required to define the probable effects of application of the above principles.

Impairment testing

Every six months, the Group reviews the carrying amount of its tangible and intangible assets and investments to determine whether there are any indicators that these assets have become impaired. If any such indicators exist, the recoverable amount of such assets is estimated to determine the write-down amount.

No goodwill has been allocated to RDM Group CGUs, with the exception of PAC Service S.p.A. and RDM Barcelona Cartonboard S.A.U.; however RDM Group identified some impairment indicators due to economic and financial trend or the non-operating status of some CGU's, and generally the current global economic and financial uncertainty, although the first signs of recovery are becoming evident, the test appears to be worthwhile.

Based on the recommendations contained in Joint Document No, 4 of March 4, 2010 of the Bank of Italy, Consob and ISVAP, the Group has described in detail the main assumptions used to calculate the recoverable amount (value in use) as at December 31, 2018, relating to estimated operating cash flows, the discount rate and the final growth rate, and it had prepared sensitivity analyses on test results with respect to changes in the basic assumptions for determining the value in use of the cash generating units; this sensitivity analysis indicated that:

- a decrease of 0,5 percentage points in the above-mentioned variables compared with the "base case" would not cause any impairment;
- a scenario, which at the present time is not foreseeable, involving a simultaneous increase in the WACC to greater than 7% - a value that has not been employed in the last five years - and a reduction in the "g rate" to below the rate of inflation would cause limited impairment, about €0,6 million, of the assets related to R.D.M. La Rochette.

On the basis of the above, the Directors believe that the medium/long-term precautionary valuations used for the impairment testing for the business outlook up to 2018 continue to apply; however, considering that these valuations were determined on the basis of estimates of future developments, the Group cannot be certain that these valuations will not require revision, in which case the results could have an effect on the value.

5.6.2 Financial risk management policy

The first half of 2019 featured a general economic scenario marked by weakness. As a result, the RDM Group reference markets recorded a fall in demand and sales prices tended to be lower. The performance of raw materials and implementing important efficiency measures, however, made it possible to achieve a good level of profitability. The presence of numerous elements of uncertainty in the global economic scenario could lead, in the short-term, to the risk that the downward trend in demand and sales prices will be confirmed in the coming months. This risk obviously cannot be eliminated, but it can be mitigated by various actions and projects, already put into place, aimed at achieving greater efficiency and synergies.
An additional risk factor is linked to the price of raw materials, in particular waste products and wood paste. With regards to waste products, which have been the RDM Group's main raw material for a long time, prices stayed at very low levels after the fall in 2018 mainly due to the Chinese government's decision to block imports. In the short-term it is unlikely that prices will rise because there are no signs of China changing its policy. Wood paste prices on the other hand, after rising consistently in 2018, fell substantially in the first half of 2019 with a further downward trend in the short-term. Obviously, it is not possible to rule out the risk of price

increases in the medium-term, both for waste products and wood paste. In this case it would be vital to pass on these increases in the final sales price as quickly as possible.
With regard to energy prices, after the high levels reached in 2018, they fell considerably in the first half-year. No particular risks are anticipated in the short-term. The Group is continuing with its energy efficiency policies and with investments aimed at reducing energy consumption.

Risks related to the Group's results

It should be stated that there are no specific risks associated with the structure and/or the nature of RDM Group.

Risks related to the requirements for financial resources

The Group currently has largely sufficient financial resources available to meet reasonably foreseeable requirements as a result of the Group's positive financial position and the ongoing very favorable credit market conditions.

Risks related to interest rates

Exposure to interest rate risk involves mainly the medium-/long-term lines of credit on which the Group's financial provisions are currently based. At June 30, 2019, the Group has cash available and uses a very small portion of short-term lines of credit, except for the without recourse assignment of trade receivables (non-recourse factoring). As at June 30, 2019, medium- and long-term debt totaled €85 million, of which €18,7million at an unhedged floating rate. At June 30, 2019, cash and cash equivalents stood at €30 million.

Liquidity risk

Liquidity risk is defined as the risk of not meeting obligations associated with liabilities.
Prudent management of liquidity risk entails maintaining adequate cash and cash equivalents and the ability to access the loans needed to support operations.
To deal with this risk, the Group's treasury unit ensures the flexibility of the supply of funds through access to diversified sources of credit.
As at June 30, 2019, the net financial debt of RDM Group was equal to €69.8 million, with wide margins to satisfy all reasonable financial requirements.

Credit risk

Credit risk is the exposure of the Company and the Group to the insolvency of its customers, especially in Italy, which is still the Group's primary market, remains one of Europe's most fragile economies and is historically characterized by very long payment terms and consequently high exposure to customers.

Reno De Medici Group has many tools to effectively manage this risk: insurance agreements were entered into with a leading credit insurance company; and various agreements were also entered into for the non-recourse sale of receivables.

Any uninsured and/or uninsurable positions are monitored continually by the appropriate Corporate Functions, with the support of external sources of information and monitoring for the Italian customer base.

In order to contain this risk, the Group checks risky positions vigilantly and promptly.

Although the policies adopted thus far have restricted losses on receivables, the risk cannot be entirely eliminated.

Currency risk

This risk is the exposure of the Company and the Group to fluctuations in exchange rates of costs and revenues denominated in currencies other than the Euro. As far as the Group is concerned, this exposure is particularly related to fluctuations in the US dollar, a currency in which a significant part of revenues from overseas markets is denominated, and, as far as costs are concerned, purchases of certain raw materials and energies. Given the expected volumes of costs and revenues which are either denominated in dollars or are pegged to the dollar, we consider that the net exposure is at a contained level in relation to the overall size of the business.

Capital risk

It is felt that the Company is adequately capitalized in relation to the reference market and its size.

5.6.3 Scope of consolidation

The financial position, results and cash flows of RDM Group include the financial position, results and cash flows of Reno De Medici S.p.A. and of the companies over which it has the right to exercise control. The definition of control is not based solely on the concept of legal ownership. IFRS 10 introduced a more solid definition of control compared with the past, based on three elements: (a) power over the business purchased; (b) exposure or rights, at variable returns resulting from involvement with the latter; (c) capacity to utilize the power to influence the amount of these returns. IFRS 10 stipulates that in order to evaluate whether it has control over the acquired business, an investor should focus only on activities that materially affect returns and rights which are substantial, i,e, can be exercised in practice when important decisions have to be taken with regard to the acquired business. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is acquired until the date that such control ceases to exist. The portions of shareholders' equity and profit or loss attributable to minority interests are shown separately in the consolidated statement of financial position, consolidated income statement, and consolidated statement of comprehensive income.

The main consolidation principles adopted are as follows:

- the carrying amount of each investment consolidated on a line-by-line basis is eliminated against the related equity, with the assets, liabilities, income and expense of the subsidiary being added to those of the Parent Company, regardless of the size of the investment; the shares of subsidiaries' capital and reserves and of subsidiaries' profit or loss attributable to minority interests are shown separately in the consolidated statement of financial position and the consolidated income statement;
- the acquisition of subsidiaries is accounted using the purchase method as required by IFRS 3 Revised;
- all balances and significant transactions between Group companies are eliminated, as are any profits and losses (unless losses indicate an impairment of the sold asset requiring recognition) arising from commercial or financial intragroup transactions not yet realized with third parties;
- any increases or decreases in a subsidiary's equity arising from its post-acquisition results are recorded upon elimination in the "Retained earnings (losses)" equity reserve;
- dividends distributed by Group companies were eliminated from the income statement upon consolidation.

The following table provides a list of subsidiaries consolidated on a line-by-line basis with the respective percentage holdings:

Corporate name	Registered office	Business	Share capital (€/000)	Control percentage 06.30.2019 direct	Control percentage 06.30.2019 indirect	Control percentage 12.31.2018 direct	Control percentage 12.31.2018 indirect
R.D.M. Arnsberg GmbH	Arnsberg (G)	Industrial	5,113	94.00%	6.00%	94.00%	6.00%
RDM Blendecques S.A.S.	Blendecques (F)	Industrial	5,037	100.00%		100.00%	
Cartiera Alto Milanese S.r.l. in liquidation	Milan (I)	Commercial	12	100.00%		100.00%	
Cascades Grundstück GmbH & Co, KG	Arnsberg (G)	Services	28	100.00%		100.00%	
R.D.M. Magenta S.r.l.	Milan (I)	Industrial	3,700	100.00%		100.00%	
R.D.M. Ovaro S.p.A.	Milan (I)	Industrial	12,500	95.00%		90.00%	
R.D.M. La Rochette S.A.S.	La Rochette (F)	Industrial	4,000		100.00%		100.00%
R.D.M. Barcelona Cartonboard S.A.U.	Barcelona (E)	Industrial	14,943	100.00%		100.00%	
PAC Service S.p.A.	Vigonza (I)	Industrial	1,000	60.00%	40.00%	60.00%	40.00%
BELLIM S.r.l.	Vigonza (I)	Services	10	100.00%		100.00%	
R.D.M. Marketing France S.A.S.	Saint-Denis (F)	Commercial	337	100.00%		100.00%	
R.D.M. Marketing Germany GmbH	Krefeld (G)	Commercial	210	100.00%		100.00%	
R.D.M. Marketing Spain S.L.U.	El Prat de Llobregat (E)	Commercial	26	100.00%		100.00%	
R.D.M. Marketing UK Ltd	Wednesbury (UK)	Commercial		100.00%		100.00%	
R.D.M. Marketing Czech Republic s,r,o,	Prague (CR)	Commercial	20	100.00%		100.00%	
R.D.M. Marketing Hungaria Kft,	Budapest (HU)	Commercial	19	100.00%		100.00%	
R.D.M. Marketing Poland Sp, z o,o,	Warsaw (P)	Commercial	12	100.00%		100.00%	
R.D.M. Marketing Portugal Unipessoal Lda	Lisbona (PT)	Commercial	3		100.00%		100.00%

The following investments in associates and joint ventures are included in the condensed consolidated half-year financial statements according to the equity method:

Corporate name	Head office	Business	Share capital (€/000)	Control percentage 06.30.2019 direct	06.30.2019 indirect	12.31.2018 direct	12.31.2018 indirect
Associates							
Emmaus Pack S.r.l.	Milan (I)	Industrial	200	34.39%		34.39%	
Joint ventures							
RECOG,SEL,PAP, Y CART, C,, A,I,E,	Barcelona (E)	Industrial	3		50.00%		50.00%

The scope of consolidation changed on June 30, 2019, In particular, on June 21, 2019, in application of the agreements entered into with Friulia S.p.A. in 2017, Reno De Medici S.p.A. bought back a further stake of 5%, at a price of €669,134, of the investment owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. Following this transaction, the residual share still owned by Friulia S.p.A. was equal to 5% and it will be bought back by June 30, 2020.

The financial statements of each Group company are prepared in the currency of the economic area in which it mainly operates (the functional currency). For the purposes of the consolidated financial statements, the financial statements of each entity are expressed in Euro, which is the Group's functional currency and the currency in which the condensed consolidated half-year financial statements are presented.

5.6.4. Notes to the financial statements for the first half of 2019

Segment Information

The segment information compared with the previous year was updated on the basis of the new production and commercial strategies implemented by the RDM Group. Specifically, the harmonization of the product characteristics from a multi mill perspective, which allows the improvement of the product portfolio / geographical mix, made the division by company performance in the two sectors WLC, coated board made from recycled fibers, and FBB cardboard for folding boxes made from virgin fibers, predominant.

The following segment information has therefore been prepared in the light of the new strategy described above.

The reports used by directors show results in two operating sectors: WLC, represented by mills located in France, in Germany and in Spain, which became part of the Group from October 31, 2018, and by all the mills operating in Italy, and FBB in which the company R.D.M. La Rochette S.A.S.

The economic measure of the results achieved by each operating segment is the profit or loss for the year; within that result, operating profit and gross operating profit are specifically highlighted.

There is no need to reconcile the segment valuations contained in this section with the figures included in the financial statements in this report, as all the displayed income components are measured using the same accounting policies adopted for the preparation of the Group's consolidated financial statements. Unallocated items and adjustments include intersegment balances relating to intercompany transactions.

The following table provides operating information by geographical area for the first half of 2019 and the first half of 2018:

Income statement 06.30.2019	**WLC**	**FBB**	**Unallocated items and adjustments**	**Consolidated**
(thousands of Euro)				
Revenues from sales	**309,113**	**59,729**	**(6,607)**	**362,235**
Intercompany	(5,948)	(659)	6,607	
Net sales revenues from third parties	**303,165**	**59,070**		**362,235**
Gross operating profit	**36,096**	**2,798**	**22**	**38,916**
Amortization and depreciation	(13,403)	(1,066)	74	(14,395)
Write-downs	22,693	1,732	96	24,521
Operating profit	**(2,012)**	**(295)**	**(22)**	**(2,329)**
Net financial income (expenses)	62		24	86
Gains (losses) on investments	(5,368)	(213)	(39)	(5,620)
Taxes	15,375	1,224	59	16,658
Profit/loss for the period	**86**			**86**

Income statement 06,30,2018	WLC	FBB	Unallocated items and adjustments	Consolidated
(thousands of Euro)				
Revenues from sales	**252,234**	**62,126**	**(6,443)**	**307,917**
Intercompany	(6,159)	(284)	(6,443)	
Net sales revenues from third parties	**246,075**	**61,842**		**307,917**
Gross operating profit	**35,949**	**1,782**	**(321)**	**37,410**
Amortization and depreciation	(10,693)	(550)	(86)	(11,329)
Operating profit	**25,256**	**1,232**	**(407)**	**26,081**
Net financial income (expenses)	(682)	(293)	(27)	(1,002)
Gains (losses) on investments	203		2,969	3,172
Taxes	(6,790)	(230)	26	(6,994)
Profit/loss for the period	**17,987**	**709**	**2,561**	**21,257**
Portions of profit (loss) of equity-accounted investments	25			25

Notes

It should be noted that the changes in the income statement balances as at June 30, 2019 reflected entry into the scope of consolidation of the company R.D.M. Barcelona Cartonboard S.A.U. acquired on October 31, 2018.

1. Revenues from sales

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

	06.30.2019	06.30.2018	Variation	%
(thousands of Euro)				
Italy	103,285	103,525	(240)	(0.2%)
European Union	210,976	167,171	43,805	26.2%
Rest of the world	47,974	37,221	10,753	28.9%
Total revenues from sales	**362,235**	**307,917**	**54,318**	**17.6%**

Revenues from sales in the first half of 2019 for RDM Group were €362.2 million, up from the €307.9 million recorded in the corresponding period of the previous year. The increase is essentially due to the different scope of consolidation as a result of the first-time consolidation on October 31, 2018 of RDM Barcelona Cartonboard (+€67 million). For the same scope of consolidation, revenues from sales fell by €12.6 million, both following lower demand, affecting the WLC and FBB market, and following a reduction in sales prices.

2. Other revenues and income

Other revenues and income as at June 30, 2019 stood at €5.6 million and mainly breaks down into: revenues from joining the energy "interruption" scheme (€0.7 million), revenues from cashing Energy Efficiency Certificates ("White Certificates") (€3.2 million), from income from the sale of electricity during the first half of 2019 (€0.2 million), from contingent assets (€0.1 million), from ordinary contributions received from Comieco (€0.1 million), from contributions in favor of the French subsidiary RDM La Rochette S.A.S. in accordance with local regulations in support of the competitiveness of energy-intensive industrial sites (€0.4 million) and other minor revenues.

3. Change in inventories of finished goods

The change in inventories during the first half of 2019 is due to the change in physical inventories.

4. Cost of raw materials and services

The following table shows the costs incurred for raw materials and services:

	06.30.2019	% of value of production (*)	06.30.2018	% of value of production (*)
(thousands of Euro)				
Cost for raw materials	161,736	44.1%	139,889	45.7%
Cost of services	115,851	31.6%	82,736	27%
Cost for use of third-party assets	702	0.2%	1,739	0.6%
Total	**278,289**	**75.9%**	**224,364**	**73.3%**

(*) Value of production = Revenues from sales plus changes in inventories of finished products

The “Cost of raw materials” refers mainly to the purchase of products used to make pulp (wastepaper, wood paste, cellulose and chemicals) and for packaging.

The increase compared with June 30, 2018 in "Cost of raw materials and services", equal to €54 million, is mainly due to the first-time consolidation of RDM Barcelona Cartonboard. Net of this effect, equal to €54 million, the average cost of wastepaper and, above all, virgin fibers was lower than at June 30, 2018. This positive effect was, however, offset by high energy costs due to gas and coal prices, which were much lower in the first half of 2018.

5. Personnel cost

Personnel cost stood at €52.5 million, an increase of €7 million compared with the same period of 2018; this increase is essentially due to the different scope of consolidation.

6. Other operating costs

Other operating costs stood at €2.7 million as at June 30, 2019, essentially in line with the figure of €2.5 million as at June 30, 2018.

This item mainly includes taxes of €2 million, trade association subscriptions of €0.3 million and provisions for bad and doubtful receivables of €0.2 million.

7. Amortization and depreciation

The following table sets out details of the "Depreciation and amortization" item:

	06.30.2019	06.30.2018	Variation
(thousands of Euro)			
Amortization of intangible assets	564	330	234
Depreciation of tangible fixed assets	12,293	10,999	1,294
Amortization of rights of use	1,538		1,538
Total	**14,395**	**11,329**	**3,066**

Amortization and depreciation totaled €14.4 million; an increase compared with the same period last year. The increase of €3 million was due to:

- amortization and depreciation of tangible and intangible fixed assets which increased mainly following the first-time consolidation of RDM Barcelona Cartonboard (+€1.4 million);
- amortization and depreciation on the rights of use recorded following the implementation, from January 1, 2019, of IFRS 16. For more information, please see the section on "Accounting Standards".

8. Net financial income (expenses)

The following table shows net financial income and expense:

	06.30.2019	06.30.2018	Variation
(thousands of Euro)			
Financial income	**77**	**10**	**67**
Interest and other financial income	77	10	67
Income from derivative financial instruments			
Financial expense	**(2,331)**	**(1,090)**	**(1,241)**
Interest to banks and other lenders	(670)	(328)	(342)
Loss on derivative financial instruments	(190)	(101)	(89)
Financial expense on defined-benefit plans	(412)	(243)	(169)
Financial interest on leases	(204)		(204)
Expenses, commission and other financial charges	(855)	(418)	(437)
Exchange rate differences	**(75)**	**78**	**(153)**
Exchange rate income	405	737	(332)
Exchange rate expenses	(480)	(659)	179
Total	**(2,329)**	**(1,002)**	**(1,327)**

Net financial expenses as at June 30, 2019 totaled €2.3 million, compared with €1 million recorded in the same period last year.

The increase of €1.3 million is due essentially to the different scope of consolidation following the acquisition of RDM Barcelona Cartonboard, (+€0.6 million), the application from January 1, 2019 of the new IFRS 16, following which financial expenses on leases of €0.2 million was recorded and an increase in exchange rate losses (+€0.2 million).

9. Gains (losses) on investments

Gains from investments as at June 30, 2019 stood at €86 thousand and are mainly due to the adjustment to the equity investment in associate Emmaus Pack S.p.A.

10. Taxes

The following table shows the breakdown of current and deferred taxes as at June 30, 2019:

	06.30.2019	06.30.2018	Variation
(thousands of Euro)			
Deferred taxes	1,240	(391)	1,631
Current taxes	(6,860)	(6,603)	(257)
Total	**(5,620)**	**(6,994)**	**1,374**

The allocation for **Taxes** is €5.6 million, compared with €7 million in 2018. The change is related to less taxable income.

11. Tangible fixed assets

The following table shows the change in tangible fixed assets:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euro)							
Historical cost	43,412	116,325	711,854	1,778	15,881	12,323	901,573
Accumulated depreciation/write-downs		(77,156)	(561,609)	(1,691)	(15,217)		(655,673)
Net book value as at 12.31.2018	**43,412**	**39,169**	**150,245**	**87**	**664**	**12,323**	**245,900**
Increases	39	345	4,368	7	8	4,584	9,351
Decreases (1)		(4,549)	(124)		(35)		(4,708)
Reclassification of cost	1,402	87	8,432		43	(10,115)	(151)
Depreciation for the period		(1,770)	(10,426)	(9)	(88)		(12,293)
Decrease in accumulated depreciation/write-downs (1)		4,279	101		35		4,415
Value as at 06.30.2019							
Historical cost	44,853	112,208	724,530	1,785	15,897	6,792	906,065
Accumulated depreciation/write-downs (1)		(74,647)	(571,934)	(1,700)	(15,270)		(663,551)
Net book value at 06.30.2019	**44,853**	**37,561**	**152,596**	**85**	**627**	**6,792**	**242,514**

(1) The two items involve, respectively the decrease in the historical cost and the turnaround of the accumulated depreciation following the disposal of assets that took place during the course of the year.

For the purpose of determining possible impairment losses, it is noted that no impairment indicators emerged such as to modify the valuations made as of December 31, 2018. For further details, see the “Impairment testing” section.

12. Rights of use

This item, which stands at €12.7 million, refers to the rights of use for leased assets which, following the implementation of IFRS 16, were recorded under fixed assets. For more information, please see the description in the section “Accounting Standards”.

	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Software	Total
(thousands of Euro)						
Historical cost	-	-	-	-	-	-
Accumulated depreciation/write-downs	-	-	-	-	-	-
Net book value as at 12.31.2018	-	-	-	-	-	-
First time adoption	3,327	2,020	69	643		6,059
Increases	5,608	1,589		196	966	8,359
Decreases	(118)	(2)		(43)		(163)
Depreciation for the period	(676)	(543)	(13)	(145)	(161)	(1,538)
Value as at 06.30.2019						
Historical cost	8,817	3,607	69	796	966	14,255
Accumulated depreciation/write-downs	(676)	(543)	(13)	(145)	(161)	(1,538)
Net book value at 06.30.2019	**8,141**	**3,064**	**56**	**651**	**805**	**12,717**

13. Goodwill

The item “Goodwill” stands at €4.8 million and refers to the companies acquired in 2018: PAC Service S.p.A., equal to €4.3 million and Barcelona Cartonboard S.A.U., equal to €0.5 million.

14. Intangible fixed assets

Intangible fixed assets totaled €9.8 million. The decrease compared with the previous year, of €0.3 million, is essentially due to the depreciation and amortization in the period.

"Intangible assets with an indefinite useful life" refer to the valuation of concessions granted in Germany in relation to water rights with an indefinite useful life.

15. Equity investments

Equity investments stood at €0.7 million, in line with the figure as at December 31, 2018.

The information required by IFRS 12 for equity-accounted investments is provided below.

The value of equity-accounted investments in the balance sheet is as follows:

	06.30.2019	12.31.2018
(thousands of Euro)		
Associates	266	262
Total	**266**	**262**

The impact of equity accounting on the income statement for the period is as follows:

	06.30.2019	06.30.2018
(thousands of Euro)		
Associates	67	25
Total	**67**	**25**

The balance as at June 30, 2019 includes the valuation of the equity investment in Emmaus Pack S.r.l., equal to €67 thousand.

16. Trade receivables and receivables from associates and joint ventures

The breakdown of trade receivables, which amount to €94 million, is provided below:

	06.30.2019	12.31.2018	Variation
(thousands of Euro)			
Trade receivables	86,800	73,191	13,609
Receivables from associates and joint ventures	7,246	6,778	468
Current trade receivables	**94,046**	**79,969**	**14,077**

Trade receivables, shown net of the provision for bad and doubtful receivables of €7 million, total €94 million, representing an increase of €14 million as at December 31, 2018. This increase is due to both the rise in sales volumes in the second quarter of 2019 compared with the last quarter of 2018, and the payment of annual premiums paid to customers during the first half of 2019.

The “Receivables from associates and joint ventures” item includes commercial transactions with Emmaus Pack S.r.l (€7,246 thousand).

17. Inventories

Inventories as at June 30, 2019 stand at €112.4 million, an increase of €5.3 million compared with the figure as at December 31, 2018. This increase is essentially due to the greater volumes of unsold stock.

18. Other receivables (current and non-current)

As at June 30, 2019, the “Other receivables (non- current portion)” item totaled €6 million. The change compared with the previous year of €2.7 million is essentially due to the fact that the balance as at December 31, 2018 included the amount of €2.6 million relating to the deposit made by the subsidiary R.D.M. Arnsberg GmbH for the tax dispute with regard to the logo fee. In December 2018, the two administrative authorities involved, Germany and Italy, formulated a proposal, for R.D.M. Arnsberg GmbH and Reno De Medici S.p.A., respectively, as a result of the MAP, consisting of the partial recognition of the logo fee charged by Italy. In January 2019, the two companies accepted this proposal and, as a result, the receivable from the subsidiary R.D.M. Arnsberg GmbH was canceled and a receivable for deferred tax assets by the subsidiary Reno De Medici S.p.A. was recorded reducing the payable for deferred tax liabilities.

As at June 30, 2019, the “Other receivables (current portion)” item totaled €11.3 million. The €0.5 million reduction compared with last year is mainly due to the offsetting effect of the following factors:
- reduction of tax receivables (€0.4 million) mainly due to the VAT credit;
- reduction in the receivables from a factoring company as fewer receivables were assigned to it (€0.7 million);
- reduction of credits for CO_2 (€1.2 million);

- increase in accrued income (€1.2 million) relating to insurance costs and waste paper costs.

19. Net financial position

Consolidated Net Financial Indebtedness of RDM Group as at June 30, 2018 was €69.8 million, an increase of €3 million compared with €66.8 million at December 31, 2018.
As already described above, from January 1, 2019, the new IFRS 16 was applied for the first time, which involved the recording financial debt of €12.7 million under liabilities, related to the different accounting treatment of operating lease agreements.
Excluding this effect, financial debt would have improved by €9.7 million compared with December 2018.

The operating net cash flow was positive by €22.5 million with working capital up compared with December 2018 as a result of the payment of an annual bonus to customers and employees and the increase in the level of inventories of raw materials and finished goods. Also note that, in May dividends totaling €2.6 million were paid out.

The net financial position consisted of the following:

	06.30.2019	12.31.2018	Variation
(thousands of Euro)			
Cash	19	17	2
Funds available from banks	29,941	31,163	(1.222)
A. Cash and cash equivalents	**29,960**	**31,180**	**(1.220)**
Other receivables	91	506	(415)
Derivatives – current financial assets	1,012		1,012
B. Current financial receivables	**1,103**	**506**	**597**
1. Current payables to banks	*2*		*2*
2. Current portion of medium and long-term loans	*20,834*	20,255	*579*
3. Other current financial liabilities	*117*	99	*18*
4. Leasing financial liabilities	*2,924*		*2,924*
Debts to banks and other lenders (1+2+3)	23,877	20,354	3,523
Other payables to other companies	1,640	1,500	140
Derivatives – current financial liabilities	714	296	418
C. Current financial debt	**26,231**	**22,150**	**4,081**
D. Net current financial debt (C-A-B)	**(4,832)**	**(9,536)**	**4,704**
Non-current financial receivables			
E. Non-current financial receivables			
Payables to banks and other lenders	63,795	75,858	(12,063)
Derivatives – non-current financial liabilities	1,048	488	560
Leasing financial liabilities	9,747		9,747
F. Non-current financial debt	**74,590**	**76,346**	**(1,756)**
G. Net non-current financial debt (F-E)	**74,590**	**76,346**	**(1,756)**
H. Net financial debt (D+G)	**69,758**	**66,810**	**2,948**

Non-current "Payables to banks and other lenders" comprise medium- and long-term loans granted by banks (valued according to the amortized cost method).

The table below reports, as required from IAS 7 - “Statement of Cash Flow”, the variation of the liabilities from financing activities:

	12,31,2018	Cash flow (*)	Non-cash transactions: Change in scope of consolidation	Non-cash transactions: Exchange rate translation differences	Non-cash transactions: Fair Value variation	06,30,2019
(thousands of Euro)						
Current financial receivables	**506**	(415)			1,012	**1,103**
Current financial debt	**(22,150)**	(3,663)			(418)	**(26,231)**
Non-current financial debt	**(76,346)**	2,449			(693)	**(74,590)**
Net liabilities from financing activities	**(97,990)**	**(1,629)**			**(99)**	**(99,718)**
Cash and cash equivalents	**(31,180)**	(1,220)				**29,960**
Net financial debt	**(66,810)**	**(2,849)**			**(99)**	**(69,758)**

(*) The information of “Cash flow” are reported in the Statement of Cash Flow.

The table below shows outstanding medium- and long-term loans, broken down by due date and recorded at nominal value:

	within 12 months	more than 12 months	more than 60 months	Total
(thousands of Euro)				
Banque Palatine 1067376	598	1,657		2,255
Banque Palatine 1067377	397	1,111		1,508
FRIE 1	414	1,035		1,449
Friulia (Ovaro Transaction)	673			673
FRIE 2	813	1,219		2,032
FRIE 3	113	453	57	623
FRIE 4	136	545	409	1,090
Banca Popolare Milano	2,857	7,143		10,000
Banca Intesa (Reno De Medici S.p.A.)	4,000			4,000
UniCredit	3,500	28,000	3,500	35,000
Banca Intesa (RDM Blendecques S.A.S.)	1,667	5,833		7,500
Banca Intesa (R.D.M. La Rochette S.A.S.)	1,667	5,833		7,500
Credem	1,003	251		1,254
Credem 7174193	250			250
BNL	200	100		300
UniCredit	100	203		303
Agence de l'eau	58	170		228
Encelpa	84	87		171
Be Spoken		3,490		3,490
Berivo Equipment	1,080	1,339		2,419
Endesa Energia SAU	1,199	1,502		2,701
Kemira	146	66		212
Procemex	6			6
Silo Gescompost	9			9
Total nominal debt	**20,970**	**60,037**	**3,966**	**84,973**
Amortized cost effect	(136)	(208)		(344)
Total debt using the amortized cost method	**20,834**	**58,829**	**3,966**	**84,629**

The Group's financial indebtedness now mainly consists of long-term loans, which provide the Group with the stability of the necessary financial sources to adequately support its operations, and, in particular, capital expenditure, as well as possible projects to take advantage of strategic investment opportunities.

Some loans require certain financial covenants to be respected based on the following ratios:

- Net financial position/Shareholders' equity
- Net financial position/Gross operating profit
- Gross operating profit/Net financial expense
- Shareholders' equity/Medium to long-term debt
- Shareholders' equity/Shareholders' equity at December 31, 2016

The financial parameters are calculated half-yearly or annually, depending on the loan, based on the figures of the Group's consolidated financial statements. The half-year calculations of the Group's gross operating profit and net financial expense are based on the 12-month period ending on the last day of the half-year concerned.

In the event of non-compliance with the financial covenants, the lending banks may terminate the loan agreements: as at June 30, 2019 the Group was in compliance with the financial parameters.

In terms of collateral, the Parent company loan agreement requires, inter alia, RDM to provide mortgages on mills, in the total amount of €123.7 million.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at June 30, 2019.
The table below shows the main features of the derivative instruments outstanding as at June 30, 2019:

Company	Counterparty	Currency	Due date	Notional value (€/000)	Interest	Liquidation of interest	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	EUR	06.04.2020	3,000	0.42% fixed	Half-yearly	(17)
					Euribor 6m		
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	10,000	0.45% fixed	Half-yearly	(166)
					Euribor 6m		
R.D.M. La Rochette S.A.S.	Intesa San Paolo S.p.A.	EUR	11.15.2023	7,500	0.245% fixed	Half-yearly	(107)
					Euribor 6m		
Reno De Medici S.p.A.	Unicredit S.p.A.	EUR	07.31.2024	35,000	0.385% fixed	Half-yearly	(791)
					Euribor 6m		
							(1,081)

The table below shows the main features of the commodity swap outstanding as at June 30, 2019:

Company	Counterparty	Currency	Due date	Quantity (MT)	Contractual price	Spread settlement	Fair value of derivative (€/000)
R.D.M. Arnsberg GmbH	UniCredit S.p.A.	USD	12.31.2021	21,000	90.4	Monthly	(681)
					USD/MT		
R.D.M. Barcelona Cartonboard S.A.U.	Axpo Iberia S.L.	EUR	12.31.2019	855,814		Monthly	1,012
					EUR/MWH		

A commodity swap was entered during the period by the subsidiary R.D.M. Barcelona Cartonboard S.A.U. to hedge purchases of gas and sales of energy.

Below is the hierarchy of levels for the measurement of the fair value of derivatives:

• level 1: inputs used in measurements are represented by quoted prices in active markets for identical assets and liabilities to those subject to measurement;

• level 2: inputs other than quoted prices included in level 1 that are observable for the financial asset or liability, both directly (prices) and indirectly (derived from prices);
• level 3: in the event that observable inputs are not available, and therefore market activity is light or non-existent for the asset or liability subject to measurement, the inputs are non-observable.

			Fair value as at the date of the financial statements based on:		
	Classification	**06.30.2019**	**Level 1**	**Level 2**	**Level 3**
(thousands of Euro)					
Derivative instruments on interest rates	Non-current derivative instruments	**(704)**		(704)	
Derivative instruments on interest rates	Current derivative instruments	**(377)**		(377)	
Derivative instruments on commodities	Non-current derivative instruments	**(344)**		(344)	
Derivative instruments on commodities	Current derivative instruments	**675**		675	

20. Shareholders’ equity

The share capital, which stood at €140 million as at June 30, 2019, breaks down as follows:

	Number	**Total value**
Ordinary shares	377,546,217	139,905,588
Savings shares	254,777	94,412
Total	**377,800,994**	**140,000,000**

We hereby reiterate that in June 2016 the company started a buyback plan of its own shares. For further information please refer to the paragraph "Other information - Authorization to buy and sell treasury shares".

With reference to the savings shares, RDM's articles of association require that if a dividend of less than 5% of the par value of the share is assigned to the savings shares in a financial year, the difference is calculated as an increase in the privileged dividend in the next two financial years. To this end, dividends of €2,633 thousand were distributed in 2019.

21. Other payables and other payables to associates and joint ventures

The current portion of other payables stands at €26.6 million (€22.4 million as at December 31, 2018). This item essentially includes payables to employees for deferred compensation, payables to the Treasury for contributions on compensation, payables for the Treasury for VAT, and payables to directors and statutory auditors.

22. Employee benefits

“Employee benefits” amounted to €32.8 million as at June 30, 2019 in line with December 31, 2018.

At June 30, 2019, RDM Group employed 1,746 people, compared with 1,744 at December 31, 2018.

23. Non-current and current provisions for risks and charges

The long-term and short-term provisions for risks and charges were €4.3 million and €1 million, respectively at June 30, 2019. The total change compared with December 31, 2018 equal to €1.5 million is essentially due to the ending of certain agency agreements worth a total of €1.2 million.

24. Current trade payables and payables to associates and joint ventures

The balance at June 30, 2019 breaks down as follows:

	06.30.2019	12.31.2018	Variation
(thousands of Euro)			
Trade payables	133,939	130,409	3,530
Total	**133,939**	**130,409**	**3,530**

“Trade payables” recorded in the financial statements were €134 million (€130 million as at December 31, 2018) and are all due in less than 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparty.
The change compared with the previous year is essentially due to normal working capital movements.

25. Non-recurring transactions

The Group’s income, financial position, and cash flows were not influenced by non-recurring significant events and transactions as defined in Consob Notice No, DEM/6064293 except as already explained in the paragraph “Key events”,

26.Contingent liabilities and commitments and other guarantees given to third parties

Regarding the main existing disputes, see section 5,8,

Commitments and guarantees given to third parties include:

- sureties of €6.6 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- sureties of €2.4 million issued to the Comieco consortium;
- sureties of €67 thousand issued to the customs authorities;
- a surety of €424 thousand issued to Terna S.p.A.;
- sureties of €57 thousand issued to the Revenue Agency for Cartiera Alto Milanese in liquidation;
- a surety of €90 thousand issued to the Province of Milan;
- a surety of €128 thousand issued to Margiuno S.r.l;
- a surety of €3.7 million issued in favor of Vetropack, the potential purchaser of the Magenta site, following the preliminary sales agreement.

5.7 Related-party transactions

As already highlighted, there were no transactions with related parties or other parties that were atypical or unusual or extraneous to normal business operations or such as to cause harm to the Group’s income, financial position or cash flow.

In the condensed consolidated half-year financial statements, related-party transactions were in existence with:

- the parent company;
- associates;
- joint ventures;
- other related parties,

Transactions between Reno De Medici S.p.A. and its consolidated subsidiaries were eliminated from the condensed consolidated half-year financial statements and are therefore not shown in these notes.
The transactions carried out with the related parties identified above are part of normal business operations in the usual area of activity of each party involved from time to time and are governed under arm's length conditions.

These transactions include commercial relations with the company Emmaus Pack S.r.l., for the sale of cardboard.

In June 2017, Reno De Medici S.p.A. and Friulia S.p.A. redefined the shareholders' agreements signed on June 27, 2012, in the context of the acquisition by Friulia of a 20% share of R.D.M. Ovaro S.p.A. at the price of €2,5 million. These agreements gave to Friulia S.p.A. the right to resell its shareholding in R.D.M. Ovaro S.p.A. to Reno De Medici S.p.A. under certain conditions, *inter alia*, through the exercise of a "put option" to be exercised by June 27, 2017. Therefore, in June 2017, in recognition of the success of the partnership and in view of the new investments required to increase the value of the R.D.M. Ovaro S.p.A. and its potential expansion plans, the Parties agreed that the extension of the partnership was advantageous for the subsidiary and therefore signed new agreements under which Reno De Medici S.p.A. would buy back the 20% stake in R.D.M. Ovaro S.p.A. owned by Friulia, against the total amount of €2,497,010,95, in four equal shares. The first three shares were repurchased on June 15, 2017, June 19, 2018 and June 21, 2019 respectively; the remaining share will be repurchased by June 30, 2020, Reno De Medici S.p.A. can still exercise the purchase option earlier.

Pursuant to Consob Resolution No, 15519 of July 27, 2006, the transactions described above are shown in the tables below:

Receivables and payables with related parties

	Current assets			Current liabilities		
	Trade receivables	Receivables from associates and joint ventures	Other receivables from associates and joint ventures	Trade payables	Payables to associates and joint ventures	Other payables to associates and joint ventures
(thousands of Euro)						
Cascades Groupe Produits				1		
Emmaus Pack S.r.l.		7.246				
Recog.Sel.Pap.YCart.C., A.I.E.						101
Total		**7.246**		**1**		**101**
Impact on item total		**100%**		**100%**		**100%**

Revenues and costs deriving from related-party transactions

	Revenues from sales	Other revenues	Financial income
(thousands of Euro)			
Emmaus Pack S.r.l.	5.880	50	
Total	**5.880**	**50**	
Impact on item total	**100%**	**100%**	

	Cost of raw materials and services	Financial charges
(thousands of Euro)		
Emmaus Pack S.r.l.	8	
Cascades Canada Ulc	94	
Total	**102**	
Impact on item total	**100%**	

The compensation due to the directors and statutory auditors of Reno de Medici S.p.A. for the performance of their duties amounted to €295 thousand and €83 thousand, respectively, 5.8. Lawsuits and arbitration proceedings

Existing disputes and risks

Nothing to report.

5.9. Subsequent events

There are no significant subsequent events to report.

6. List of investments in subsidiaries and associated companies

Pursuant to Article 126 of Consob Resolution No, 11971 of May 14, 1999, as subsequently amended and supplemented, below is the list of equity investments held at June 30, 2019 in companies with unlisted shares or in limited-liability companies, exceeding 10% of the capital.

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Cartonboard industry – subsidiaries

Cartiera Alto Milanese S.r.l. in liquidation
Milan - Italy
Direct ownership percentage: 100%

RDM Blendecques S.A.S.
Blendecques – France
Direct ownership percentage: 100%

R.D.M. La Rochette S.A.S.
La Rochette – France
Indirect ownership percentage: 100% (through RDM Blendecques S.A.S.)

R.D.M. Ovaro S.p.A.

Ovaro - Italy

Direct ownership percentage: 95%

R.D.M. Arnsberg GmbH

Arnsberg – Germany

Direct ownership percentage: 94%

Indirect ownership 6% (through Cascades Grundstück GmbH & Co,KG)

R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.)

Milan - Italy

Direct ownership percentage: 100%

Pac Service S.p.A.

Vigonza - Padua - Italy

Direct ownership percentage: 60%

Indirect ownership 40% (through BELLIM S.r.l.)

R.D.M. Barcelona Cartonboard S.A.U.

Barcelona – Spagna

Direct ownership percentage 100% (starting from October 31, 2018)

Services industry – subsidiaries

Cascades Grundstück Gmbh & Co.KG

Arnsberg – Germany

Direct ownership percentage: 100%

BELLIM S.r.l.

Vigonza - Padua - Italy

Direct ownership percentage: 100%

R.D.M. Marketing Germany GmbH
Krefeld – Germany
Direct ownership percentage: 100%

R.D.M. Marketing France S.A.S.
Paris – France
Direct ownership percentage: 100%

R.D.M. Marketing Spain S.L.U.
Prat de Llobregat - Barcelona - Spain
Direct ownership percentage: 100%

R.D.M. Marketing UK Limited
Wednesbury – United Kingdom
Direct ownership percentage: 100%

R.D.M. Marketing Czech Republic S,r,o,
Prague – Czech Republic
Direct ownership percentage: 100%

R.D.M. Marketing Hungaria KFT
Budapest - Hungary
Direct ownership percentage: 100%

R.D.M. Marketing Poland SP z,o,o,
Warsaw - Poland
Direct ownership percentage: 100%

R.D.M. Marketing Portugal Unipessoal Lda
Lisbon – Portugal
Indirect ownership percentage: 100%

LIST OF EQUITY-ACCOUNTED INVESTMENTS

Cartonboard sector and other industrial production

Emmaus Pack S.r.l.
Milan - Italy
Direct ownership percentage: 34,39%

Recogida Sel, Pa, YCart, C. A.I.E.
Barcelona – Spagna
Indirect ownership percentage: 50%

LIST OF INVESTMENTS IN OTHER COMPANIES

Cartonboard sector

Cartonnerie Tunisienne S.A.
Les Berges Du Lac – Tunis
Direct ownership percentage: 5,274%

Consortiums

Gas Intensive S.c.r.I.
Milan - Italy
Consortium share

Comieco
Milan - Italy
Consortium share

Conai
Milan - Italy
Consortium share

Consorzio Filiera Carta

Frosinone – Italy

Consortium share

C.I.A.C. S.c.r.l.

Valpenga (TO) – Italy

Consortium share

Idroenergia S.c.r.l.

Aosta – Italy

Consortium share

Paper Interconnector

Milan - Italy

Consortium share

Università Carlo Cattaneo

Castellanza (VA) – Italy

Consortium share

CERTIFICATION

of the condensed consolidated half-year financial statements, pursuant to Article 81-*ter* of Consob Regulation No, 11971 of May 14, 1999, as amended and supplemented

1. The undersigned, Michele Bianchi, as CEO and Luca Rizzo as the Financial Reporting Executive of Reno De Medici S.p.A., certify, considering the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:
    - the suitability for the characteristics of the business and
    - actual implementation of the administrative and accounting procedures pertaining to the preparation of the condensed consolidated half-year financial statements for the first half of 2019.

2. No significant issues have emerged in this regard.

3. We further certify that:

    3.1 The condensed consolidated half-year financial statements as at June 30, 2019:

    a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002, and in particular IAS 34 - Interim Financial Reporting;

    b) are consistent with the figures reported in the relevant accounting books and records;

    c) present fairly the financial position, the results and the cash flows of the issuer and of all of the companies included in the consolidation.

    3.2 The interim report on operations includes a reliable analysis with reference to important events occurring during the first six months of the year and their effect on the condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of information on material related-party transactions.

Milan, July 30, 2019

Chief Executive Officer	Chief Financial Officer
Michele Bianchi	Luca Rizzo