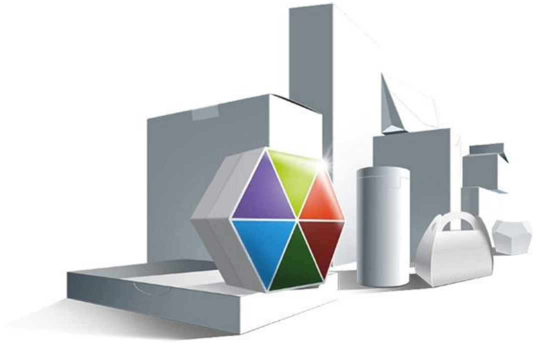
Reno De Medici

H1 2019 Results

Milan, 31 July 2019



Born to be converted

Agenda

1 **Operating scenario and strategy at work**

2 Half-year 2019 financial results

3 Final remarks

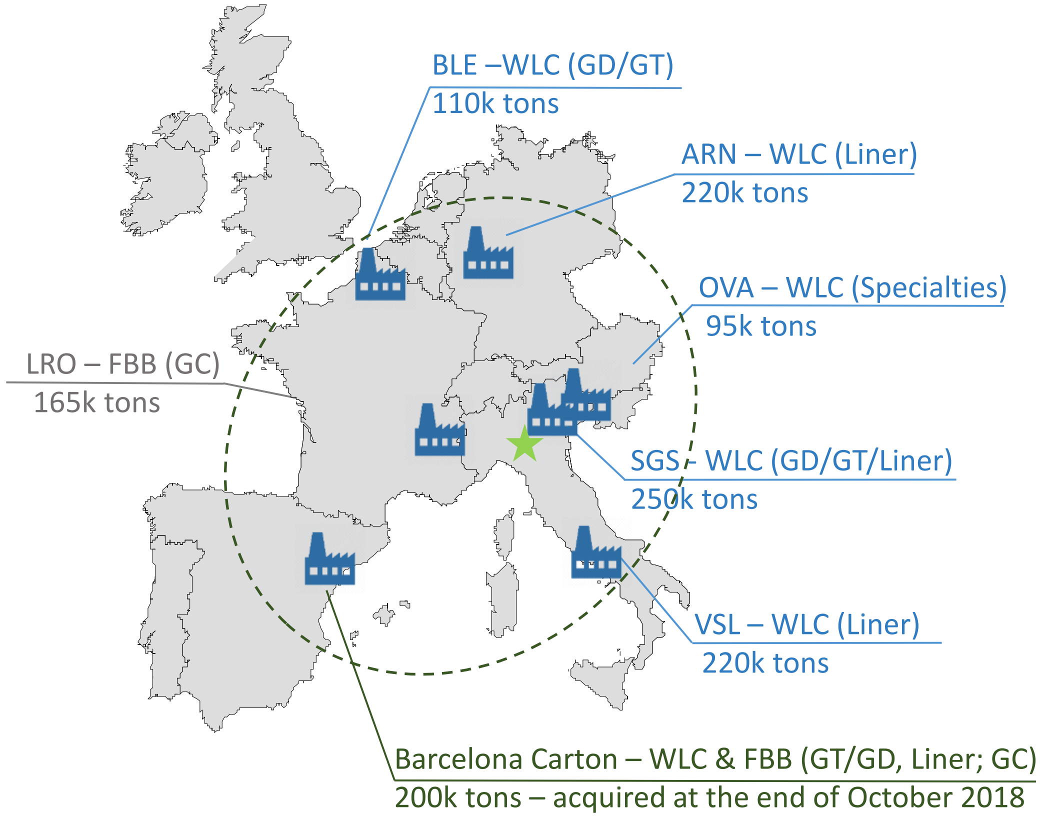
Speaker: Michele Bianchi - CEO

A Paneuropean asset base

Total production **capacity 1.26 mil tons/p.a.**

Four assets with capacity over **200k tons/p.a.**

Santa Giustina's plant



WLC

White Lined Chipboard
Based on **recycled fibers**

No. of mills: **6**
Production capacity: **1.1 mn** tons/p.a.
equal to **87%**

FBB

Folding Boxboard
Based on **virgin fibers**

No. of mills: **1**
Production capacity: **0.165 mn** tons/p.a.
equal to **13%**

★ *Headquarter in Milan*

Mill

H1 2019 at a glance

10.7% Double-digit EBITDA margin driven by efficiencies

Mixed-bag scenario. Weak demand but favorable fiber costs

+ Additional sales and EBITDA from Barcelona Cartonboard consolidation, synergies to be extracted in coming quarters

€ Continued cash flow generation funding capex and shareholder remuneration

WLC & FBB segments

	WLC - Coated board made from recycled fibers		FBB – Cardboard for folding boxes made from virgin fibers		RDM GROUP	
	WLC H1 2019*	**WLC H1 2018**	**FBB H1 2019***	**FBB H1 2018**	**RDM** H1 2019***	**RDM** H1 2018**
Net Sales ('000 €)**	303,165	246,075	59,070	61,842	362,235	307,917
EBITDA ('000 €)	36,096	35,949	2,798	1,782	38,916	37,410
EBITDA margin %	**11.9%**	**14.6%**	**4.7%**	**2.9%**	**10.7%**	**12.1%**
NET PROFIT ('000 €)	15,375	17,987	1,224	709	16,658	21,257

*including BC

** without intercompany

EXTERNAL DRIVERS in WLC

Weaker demand
Lower organic volumes
Pressure on selling prices

Stable raw materials costs

Higher cost of energy
(expected to offset in H2 2019)

EXTERNAL DRIVERS In FBB

Weaker demand
Lower organic volumes
Higher selling prices

Higher raw materials costs
(forecasted to reduce in H2 2019)

BARCELONA CARTONBOARD

Before intercompany eliminations, BC contributed **€67 million** to consolidated **sales, €4.5** million to **EBITDA,** and **€2.4** million to **net profit.**

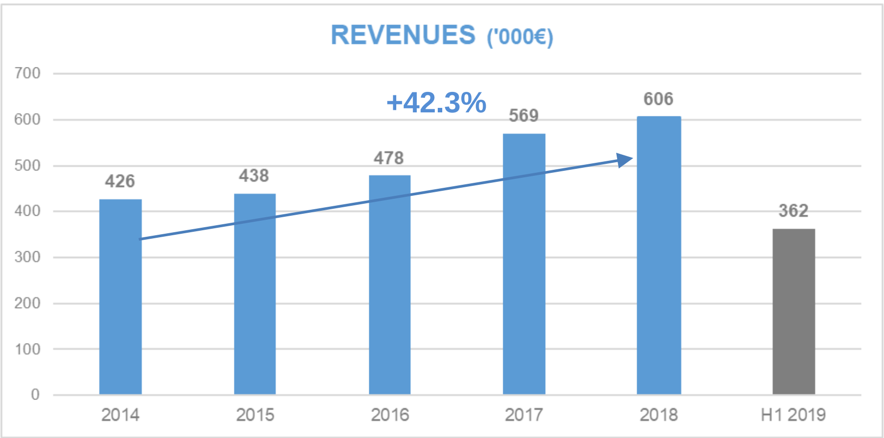
The **EBITDA margin** is **6.7%**.

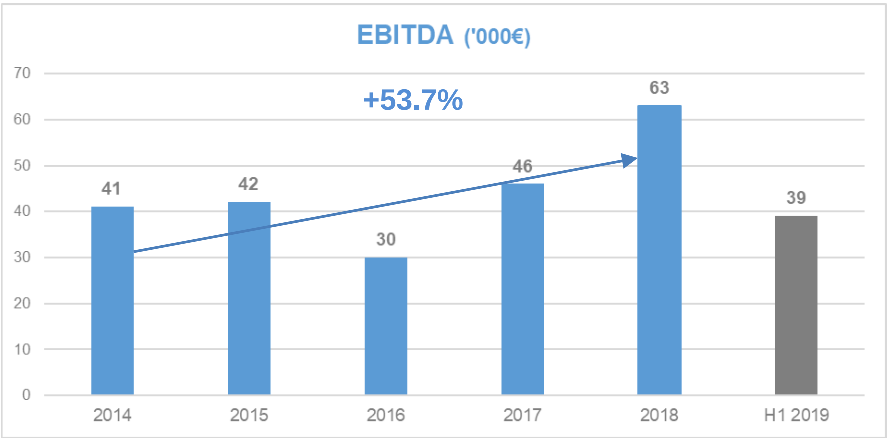
Agenda

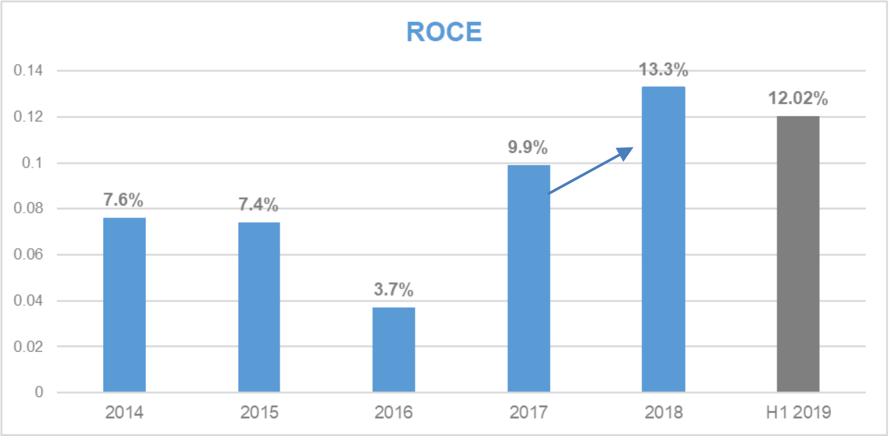
1. Operating scenario and strategy at work
2. **Half-year 2019 financial results**
3. Final remarks

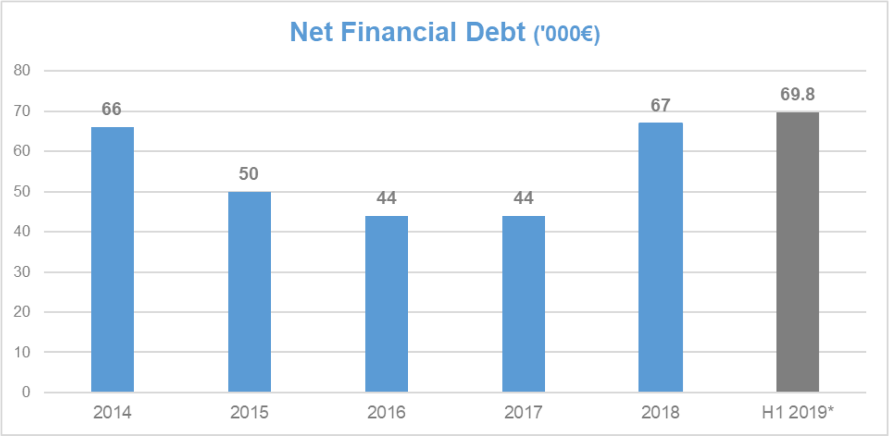
Speaker: Luca Rizzo - CFO

Highlights





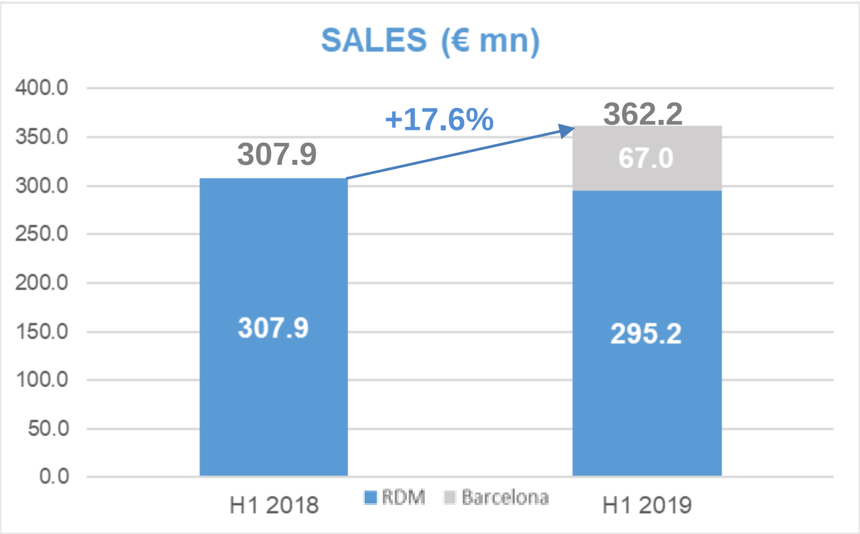


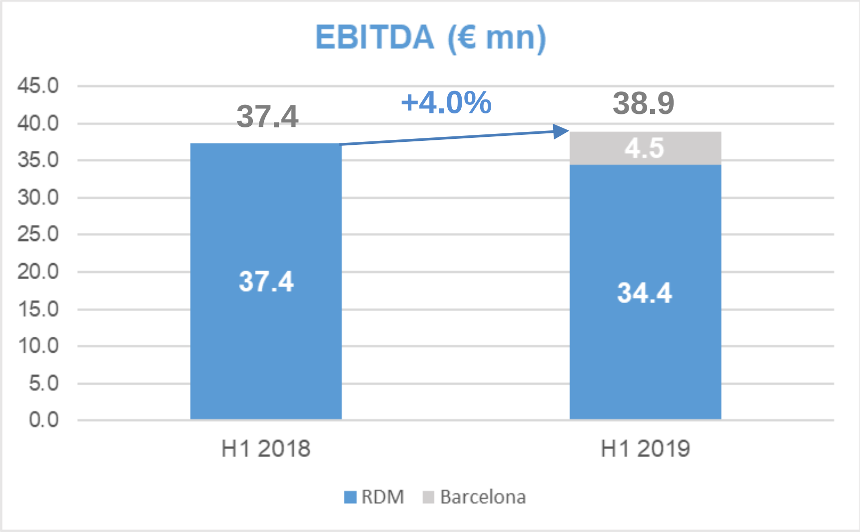


2018 Net Debt reflects the costs of three acquisitions over the 2016-2018 period.

*Net Debt as at 30 June 2019 includes 12.7 € mn liabilities due to the adoption of the new IFRS 16 “Leases”.

SALES and EBITDA





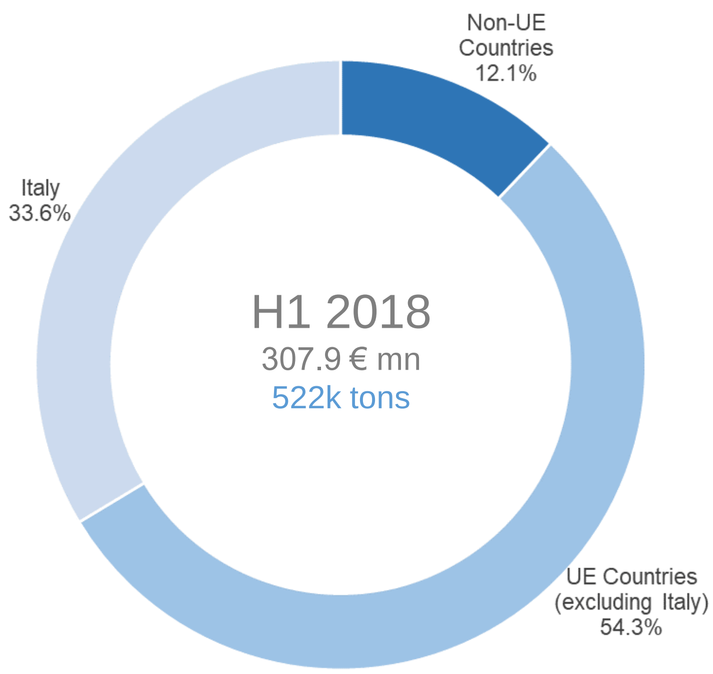
The **EBITDA change** (4.0%) reflects the following drivers:

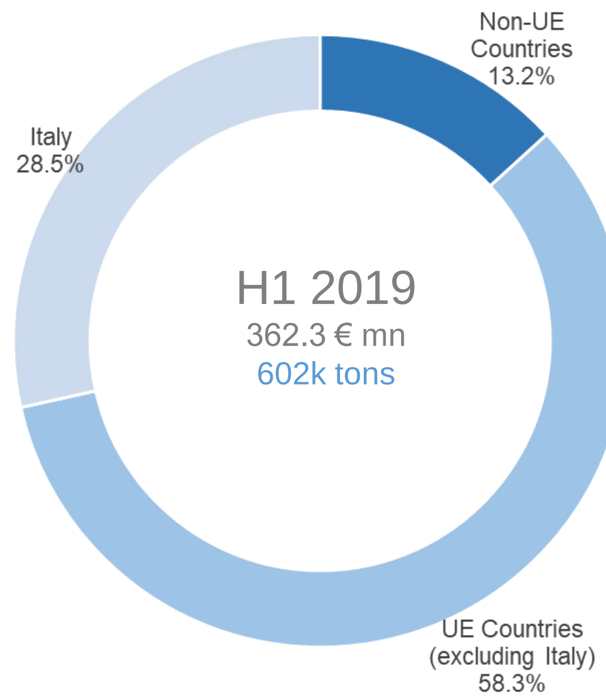
+ **Sales** increase (+17.6%) led by the Barcelona Cartonboard acquisition;
— **WLC weaker demand** (-0.7%) in overseas and European markets;
+ **Selling prices increase in FBB** and slight decrease in those of WLC products;
— **Lower dispatched volumes** at Villa Santa Lucia (WLC) and La Rochette (FBB) mills;
— **Higher** cost of **energy**;
— **Higher** prices for **virgin fibers**.

Increase in H1 2019 EBITDA leverages on:

- **Recent M&A** driving the **top line** growth
- **RDM** following its transformation plan **to achieve operating efficiencies**, in the use of energy and raw materials to safeguard **operating profitability.**

Sales by geography

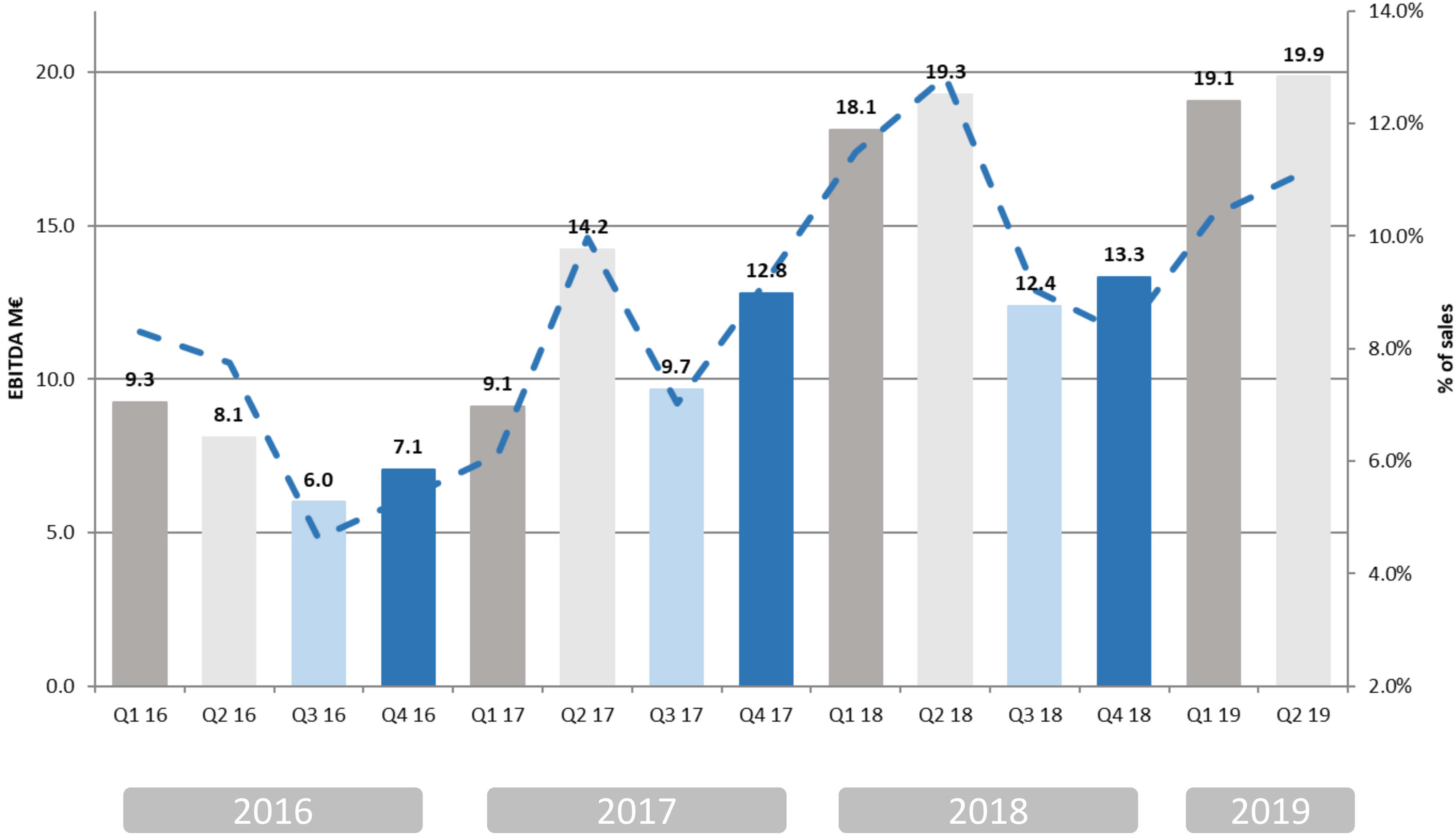




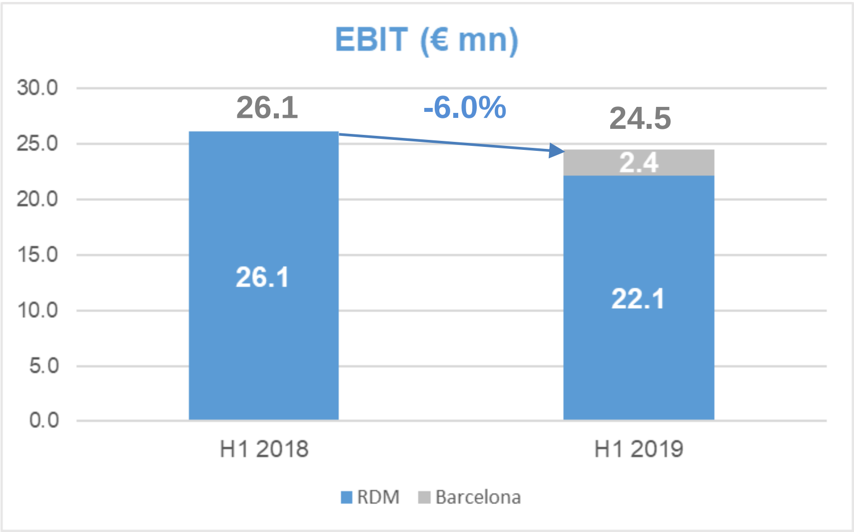
Sales growth of **17.6%** reflecting the larger scope of consolidation (Barcelona Cartonboard).

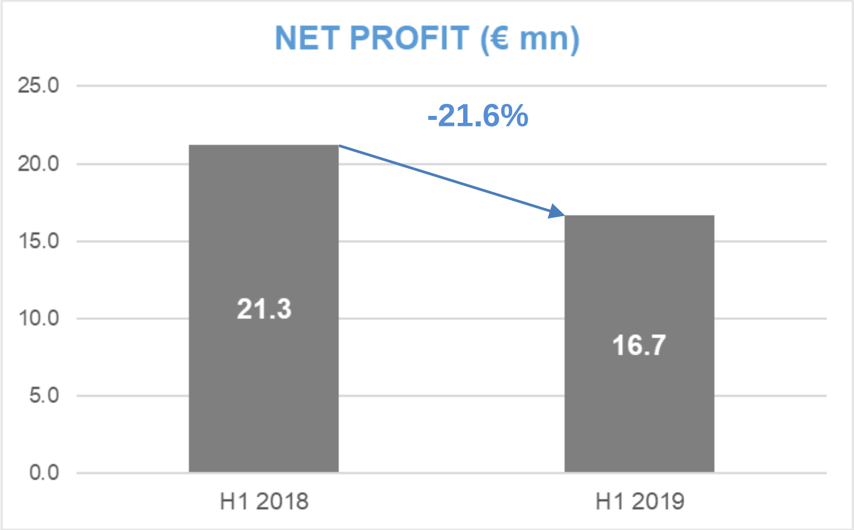
The **lower weight of Italian market** reflects the recent M&A deal in Spain.

EBITDA evolution per quarter



EBIT and NET PROFIT





Higher D&A costs (€ 11.3 mn in H1 2018 vs. 14.4 € mn in H1 2019) resulted in an **EBIT decrease (-6.0%).**

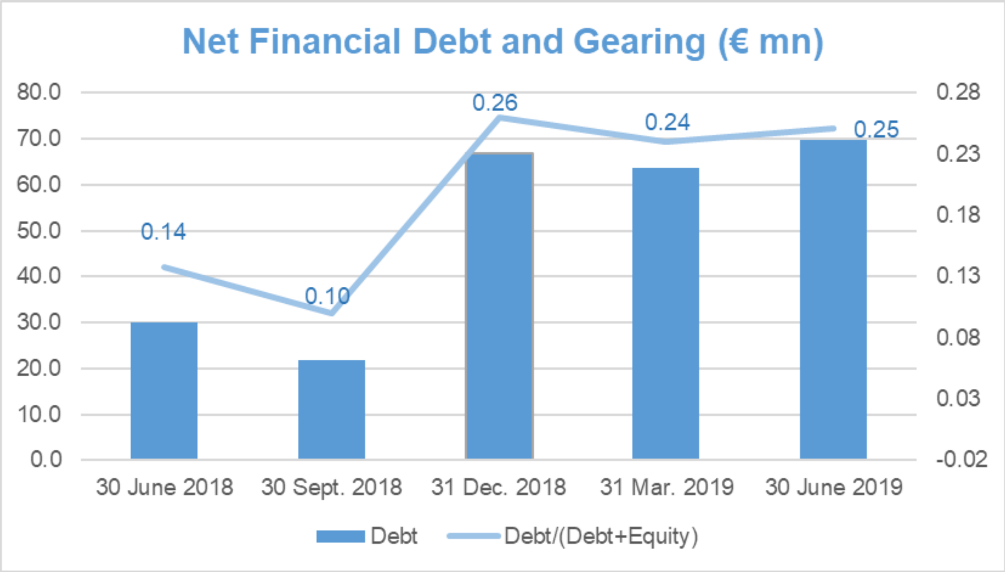
Net Profit decrease **(-4.6 € mn** vs. H1 2018) mainly due to lower income from equity investments **(-3.1 € mn** vs. H1 2018) and higher interest costs **(+1.3 € mn** .

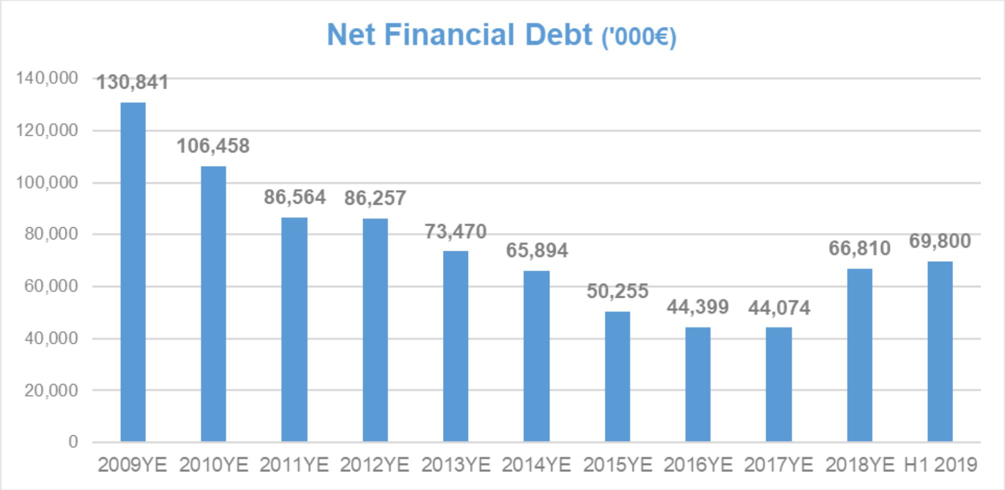
In Q1 2018, the acquisition of 100% of PAC Service, previously consolidated with the equity method, led to an income from equity investments of 3 mn€ .

Interest costs were higher due to Barcelona debt, new IFRS 16, higher losses on foreign exchange.

Net Profit decline was partially offset by a **lower taxes (-1.4 € mn** vs. H1 2018), as a result of lower taxable profit.

Low gearing ratio





Operational net cash-flow positive by 22.5 € mn despite **higher net working capital** (increases in volume of **finished products** and **receivables**, reflecting sales seasonality).

Net Debt as at 30 June 2019 includes **12.7 € mn liabilities** due to the adoption of the **new IFRS 16 "Leases"**.

2018 Net Debt reflects the costs of **three acquisitions over the 2016-2018 period.**

2019 Capex Overview

2019 capital expenditure: 26-28 **€ mn**

Of which maintenance + H&S investments are 10 € mn

CAPACITY

4 € mn

Magenta (Apr.) ✓
Sheeter
S. Giustina (Aug.)
Board Machine Speed Up
Barcelona (Dic.)
Winder Machine

COST SAVINGS

5 € mn

Italian Mills (Aug.)
Fiber Recovery System
La Rochette (Aug.)
New Headbox

ENERGY EFFICIENCY

5 € mn

Barcelona (May.) ✓
Overhaul Hot Section
Cogeneration Plant
Others Mills (Aug.)
Power Plants extraordinary maintenance

DIGITALIZATION

3 € mn

All
New ERP System

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Speaker: Michele Bianchi - CEO

Final remarks

<u>RDM outlook for 2019:</u>

Weaker **demand**

Pressure on **WLC selling price**

Stabilization of **FBB selling price**

Stable/lower **fiber costs**

Decrease in **energy costs**

Addressing external drivers

Stronger leadership

Higher operating efficiency

Better customer service

TRANSFORMATION PLAN IN PLACE

Steady-state double-digit EBITDA margin
from 2021 onwards

BC integration

Optimization of **asset base** and **product portfolio**