

**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Reno De Medici S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Reno De Medici S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Reno De Medici S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of tangible assets of the CGU RDM La Rochette S.A.S.

Description of the key audit matter

Reno De Medici Group's consolidated financial statements include Euro 232.6 million related to tangible assets as of December 31, 2019, of which Euro 10.7 million related to the cash generating unit (CGU) RDM La Rochette S.A.S.

As required by the "IAS 36 Impairment of Assets", the Directors, noting impairment indicators for the CGU RDM La Rochette S.A.S., have carried out the impairment test in order to determine that tangible assets are accounted for in the consolidated financial statements at December 31, 2019 at a value not higher than the recoverable value.

In order to assess the recoverable amount of tangible assets of the CGU RDM La Rochette S.A.S., which correspond to the subsidiary RDM La Rochette S.A.S., it was necessary to use the method of fair value less costs of disposal that the Directors determined through the assessment carried out with the support of an independent expert. In particular, the recoverable amount of tangible assets was estimated with the "market approach" method.

Based on the impairment test approved by the Board of Directors, the Group accounted for an impairment loss of tangible assets for Euro 9.5 million.

Considering the relevance of the amount of tangible assets recorded in the financial statements, the nature of the assessment process adopted by the independent expert, and the need to be supported by our experts, we considered the impairment test of the CGU RDM La Rochette S.A.S. a key audit matter of the audit of the consolidated financial statements of the Group.

The "Impairment test" paragraph of the consolidated financial statements states the disclosures related to the impairment test on tangible assets performed by the Directors.

Audit procedures performed

As part of our audit, we have, among others, carried out the following procedures, also with the support of experts of Deloitte's network:

- Assessment of the procedures used to determine the fair value of tangible assets of the CGU La Rochette S.A.S., analyzing methods and assumptions considered in the independent expert's appraisal,
- Understand the Company's relevant internal controls on the impairment test process;
- Evaluation of the competences, capabilities and objectivity of the expert involved by the Directors to prepare the appraisal;
- Analysis of the reasonableness of the main assumptions used for the appraisal;
- Assessment of the accuracy of data used by the expert to determine the fair value;

- Review of the correct calculation of the book value of the CGU.

Further, we also examined the adequacy and compliance of the disclosure provided by the Company on the impairment test based on IAS 36 disclosure requirements.

Impairment test of Goodwill

Description of the key audit matter

Reno De Medici Group's consolidated financial statements include a goodwill of Euro 4.4 million allocated on cash generating unit (CGU) of Pac Service S.p.A.

As required by the "IAS 36 Impairment of Assets", the Directors, have carried out the impairment test in order to determine that the goodwill is accounted for in the consolidated financial statements at December 31, 2019 at a value not higher than the recoverable value.

The recoverable amount of the abovementioned goodwill was determined using the value in use, based on estimates of cash flows generated by the asset. In particular, the Directors referred to the cash-generating unit (CGU), which correspond to the subsidiary Pac Service S.p.A.

The valuation process is complex and based on assumptions concerning, among others, the forecast of expected cash flows of the CGU Pac Service S.p.A., resulting from the plan used for the purposes of the impairment test, and the determination of an appropriate discount rate (WACC) and growth rate (g-rate).

In determining cash flow forecasts, the most relevant variables are the estimate of future sales volumes, the expected sales price trend, the variable costs of packing and energy, margins, capital expenditures and other macroeconomic variables.

Future expectations and market conditions influence these assumptions.

Based on the impairment test approved by the Board of Directors, the Group has not recognized any impairment loss.

Considering the relevance of the amount of goodwill in the financial statements, the subjectivity of the estimates relating to the determination of cash flows (DCF) and the key variables of the impairment model, we considered the impairment test a key audit matter of the audit of the consolidated financial statements of the Group.

The "Impairment test" paragraph of the consolidated financial statements states the disclosures related to the impairment test, including a sensitivity analysis performed by the Directors, which shows the effects that may occur on the recoverable amount of the assets resulting from the changes in certain key assumptions used for the impairment test.

Audit procedures performed

Preliminarily, we have examined how the Directors determine the value in use of the CGUs by analyzing the methods and assumptions used and considered for the development of the impairment test.

As part of our audit, we have, among others, carried out the following procedures, also with the support of experts of Deloitte's network:

- understand the Company's relevant internal controls on the impairment test process;
- analysis of the reasonableness of the key assumptions underlying the cash flow calculation; also, through information obtained from the Management;
- analysis of the actual figures compared to the plans in order to assess the nature of the deviations and the reliability of the planning process;
- assessment of the reasonableness of the discount rate (WACC) and growth rate (g-rate);
- review of the mathematical accuracy of the model used to estimate the value in use of the CGUs;
- review of the correct calculation of the book value of the CGUs;
- review of the Directors' sensitivity analysis.

Further, we also examined the adequacy and compliance of the disclosure provided by the Company on the impairment test based on IAS 36 disclosure requirements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Reno De Medici S.p.A. appointed us on April 27, 2012 as auditors of the Company for the years from December 31, 2012 to December 31, 2020.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Reno De Medici S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Reno De Medici Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Reno De Medici Group as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Reno De Medici Group as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 54

The Directors of Reno De Medici S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Andrea Restelli
Partner

Milan, Italy
April 6, 2020

This report has been translated into the English language solely for the convenience of international readers.