Interim Report

03.31.2020

SALES: €182.6 MILLION
(COMPARED WITH €183.7 MILLION AS AT MARCH 31, 2019)

GROSS OPERATING PROFIT (EBITDA): €20.1 MILLION
(COMPARED WITH €19.1 MILLION AS AT MARCH 31, 2019)

OPERATING PROFIT (EBIT): €12.3 MILLION
(COMPARED WITH €12 MILLION AS AT MARCH 31, 2019)

NET RESULT: PROFIT OF €9.4 MILLION
(COMPARED WITH A PROFIT OF €7.9 MILLION AS AT MARCH 31, 2019)

NET FINANCIAL DEBT: €50 MILLION
(€52 MILLION AT DECEMBER 31, 2019)

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

CONTENTS

BOARD OF DIRECTORS AND AUDITORS

Board of Directors

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

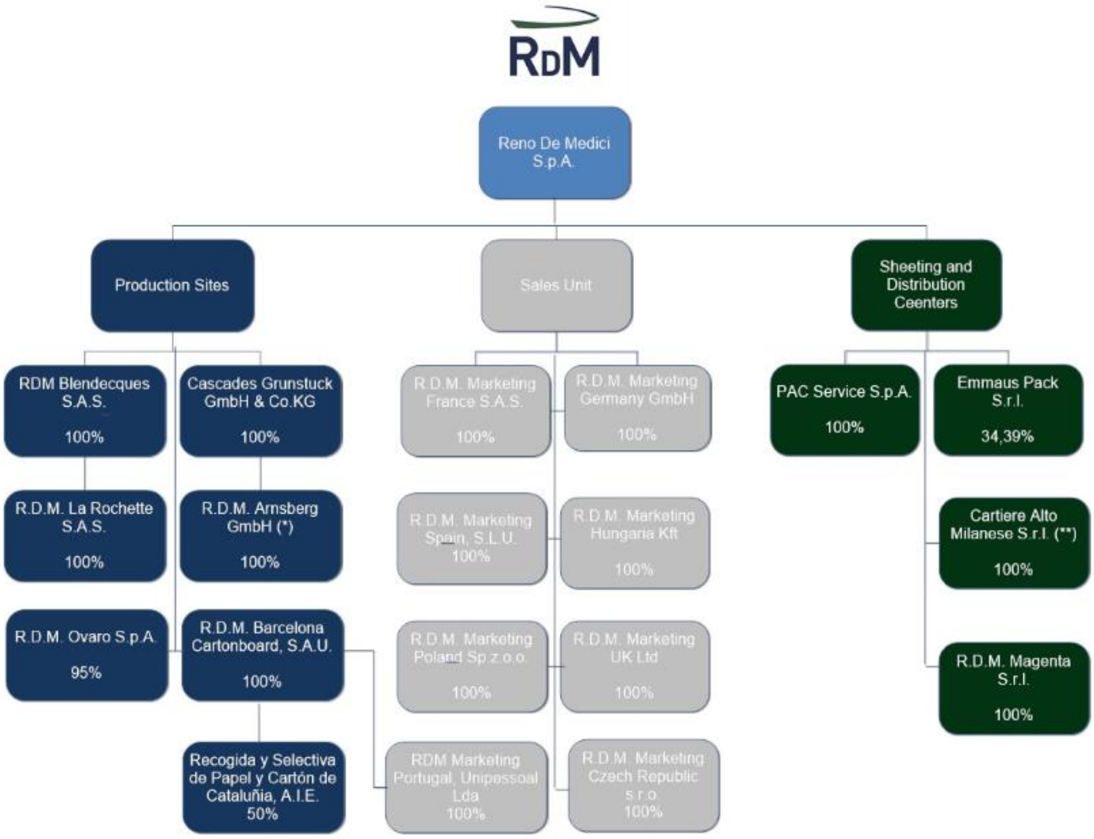
Board of Statutory Auditors

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

Independent Auditors

Deloitte & Touche S.p.A.

GROUP OPERATING COMPANIES AS AT MARCH 31, 2020



(*) Company owned 94% by Reno De Medici S.p.A. and 6% by Cascades Grundstück GmbH & Co.KG.
(**) Company in liquidation

DIRECTORS' REPORT ON OPERATIONS

The first quarter of 2020 was of course characterized by the Covid-19 emergency at the global level, which had severe impacts on most sectors of the economy.

The RDM Group nonetheless recorded an increase in shipments and order intake compared with the first quarter of 2019. The uptrend was reported also in March, which was the month most severely affected by the health emergency. The main explanation for the performance of demand is that most end users of the Group's products are concentrated in sectors — food and pharmaceuticals in particular — that are strategic in the current emergency situation and that have seen an increase in demand.

In this situation, the Group’s ability to maintain its level of production unchanged with all paper mills operating at full capacity was fundamental. Of course, all measures necessary to protect the health and safety of its employees have been taken.

In this extremely difficult general scenario, the RDM Group reported very satisfactory results in the first quarter of the year.

In Q1 2020, gross operating profit (EBITDA) amounted to €20.1 million compared with €19.1 million for the same period of the previous year, with a ratio to sales at 11%, significantly increasing compared with the first quarter of 2019 (10.4%) and the 2019 full-year figure (10.3%).

Net profit for the first quarter amounted to €9.4 million compared with €7.9 million for 2019. The increase was exclusively attributable to the improved EBITDA, whereas the other income statement items (amortization and depreciation, financial expense and taxes) were cumulatively in line with the same quarter of the previous year.

In light of the important benefits achieved in 2018 and 2019, in 2020 the RDM Group continued the initiatives aimed achieving efficiencies and synergies to consolidate structural profitability enhancements, and thus leading to an improved financial position. These initiatives are designed to increase efficiency in production, cut costs and optimize sales at the level of price and value added. The initiatives become even more important in the current scenario in order to respond to any negative consequences of the Covid-19 emergency in the second half of the year.

In 2020, the Group forged ahead the process for integrating RDM Barcelona Cartonboard S.A.U. that yielded significant synergies in 2019 and is expected to generate further benefits in the current year. The synergies identified relate to various areas, including sales volumes, selling prices, geographical areas per product served, purchases, production efficiency gains and overheads.

Consolidated net financial debt at March 31, 2020 amounted to €50 million, down €2 million compared with December 2019 (€52 million).

The decrease in debt was mainly due to the high level of EBITDA, negatively offset by a higher level of working capital, which is quite normal in the first quarter of the year, due payment and collection dynamics. In the first quarter, cash flows were not negatively affected by non-payment or deferred payment by customers as a result of the Covid-19 emergency.

Gearing[1] improved from 0.20 to 0.19.

BUSINESS STRATEGY

The segment in which the RDM Group has been traditionally operating, namely the WLC (White Lined Chipboard – paperboard coated packaging on a recycled base), which accounted for over 83% of consolidated turnover in the first quarter of 2020, recorded a 2.7% increase in total demand compared with the same period of the previous year. The increase was due to the concentration of end users in the food and pharmaceuticals sectors, which as a result of Covid-19 took on strategic significance to the management of the emergency. Order intake and shipments were nonetheless very positive in the first two months of the year as well, before the current emergency arose, following a rather weak fourth quarter of 2019. The change in volumes differed in the Group's various markets of operation. In European markets, volumes rose in France (+6.2%), North Europe (+5.8%) and other minor markets, while declining quite markedly in Spain (-5.9%), Italy (-1.7%) and Germany (-1.8%). Overseas market grew significantly (13.2%) compared with the first quarter of 2019. The RDM Group's growth exceeded the market's performance (+4.9%), above all in its reference markets, such as in Italy, where the increase was 3.6%. Almost all RDM's paper mills reported a volume increase either in line or above the market's performance, with the exception of the Villa Santa Lucia plant. The latter was in fact impacted by the halt of production, from February 7 to March 1, following the seizure order applying to the Cosilam Consortium's purification plant rendered by the competent judicial authority due to reasons that are not attributable to the plant in any way. The effect of the halting of production was

Gearing was calculated as the ratio between the net financial position / (net financial position + equity)

mitigated at the level of volumes shipped by the use of finished product inventories and the reassignment of orders to the Group's other mills.
In order to both protect and increase margins, RDM continues to optimize its order backlog through its new sales organization and to pursue a pricing policy designed to preserve existing margins.

Turning to the main production factors, following the sharp decrease in prices reported in the two previous years, the price of recycled paper further declined markedly in the first quarter of 2020. The downward trend in the price of recycled paper is due to the known restrictions imposed by the Chinese Government on imports of unsorted recycled paper and the restrictions on the release of licenses that have created an excess of supply thereby causing a decline in prices. To date, there are no indications of policy changes by the Chinese authorities, who continue to drive towards the goal of zero imports starting from 2021. The Covid-19 emergency began to drive prices up in mid-March, mainly due to the decrease in supply as a result of the temporary shutdown of some sectors and the decrease in urban collection. This phenomenon was observed throughout Europe and then spread at the global level.

The FBB segment (Folding Box Board – cartonboard for folding boxboard based on virgin fibers), which accounted for 17% of consolidated turnover, recorded a 4.1% increase in market demand, compared with an improvement of 9.2% reported by the RDM Group. The increase in the market was mainly due to the same factors as set out above for the WLC segment. The higher-than-market increase reported by La Rochette was also due to the problems that occurred in the first quarter of the previous year. La Rochette plant's EBITDA margin (7.8% in March 2020) improved compared with the previous year and continued to benefit from the price increase seen in 2019, along with the level of raw material cost after the previous year's sharp decreases. The robust level of value added, together with the greater volumes manufactured and sold, drove a first quarter satisfactory result.
In the first quarter of 2020, the prices for virgin pulp, after the peak reached in 2018 and the subsequent sharp decline in 2019, were essentially stable as regard both types of virgin fibers, despite some signs of downtrend. Prices have been increasing since April due to high consumption in the sanitary paper segment and by manufacturers of cardboard, the end users of which operate in the food and pharmaceuticals sector. In addition, given the reduced rate of paper and cardboard collection, particularly for recycled white paper, due to office and school closures, the use of virgin materials is the only valid alternative.

After the substantial cost increases recorded in 2018 for the main energy sources (natural gas, electricity, and coal), **energy costs** showed a marked turnaround in 2019. However, it was not possible to benefit fully from the price reduction in 2019, since the Group generally procures much of its requirements under medium-term contracts. The full benefit of the reduction in prices occurred in 2019 will be achieved in 2020, as has already been seen in the first quarter. Covid-19 has resulted in a further sharp decline in the prices of the main sources of procurement, and, to a limited degree, in a decline of CO_2 as well. The benefit for the RDM Group in the first quarter of 2020 was, as usual, limited by the presence of the medium-term contracts still in effect.

CAPITAL EXPENDITURE

In the first quarter of 2020, the Group's **capital expenditure** amounted to €2.6 million, compared with €4.8 million in 2019. As is usual, capital expenditure in the first quarter was quite limited, since strategic investments are concentrated in August and December. Capital expenditure in the first quarter was therefore concentrated in a series of initiatives of modest extent or in the completion of projects from the previous year. It should be noted that the implementation of the new ERP system continued at all Group companies.

CONSOLIDATED RESULTS

The following table summarizes key income statement indicators as at March 31, 2020 and 2019.

	03.31.2020	03.31.2019
(thousands of Euros)		
Revenues from sales	**182,561**	**183,706**
OPERATING PROFIT (EBITDA) (1)	**20,149**	**19,061**
EBIT (2)	**12,282**	**11,965**
Pre-tax income (3)	**12,394**	**11,159**
Current and deferred taxes	*(3,018)*	*(3,211)*
Profit (Loss) for the period	**9,376**	**7,948**

1) See "Gross operating profit" in the Consolidated Financial Statements of the RDM Group

2) See 'Operating profit' in the Consolidated Financial Statements of the RDM Group

3) See 'Profit (loss) for the period' – 'Taxes' in the Consolidated Financial Statements of RDM Group

Sales amounted to €182.6 million compared with €183.7 million for the same period of the previous year. The slight change was due to the significant decrease in average selling prices reported by both the WLC and the FBB segment, offset by the increase in volumes sold in the first quarter. It should be noted, in fact, that **tons sold** by the RDM Group at March 31, 2020 reached 318 thousand units compared with 302 thousand units sold in the first quarter of 2019.

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

	03.31.2020	% of total	03.31.2019	% of total
(thousands of Euros)				
Italy	53,556	29.3%	53,212	29.0%
EU	105,672	57.9%	109,732	59.7%
Non-EU	23,333	12.8%	20,762	11.3%
Revenues from sales	**182,561**	**100%**	**183,706**	**100%**

Cost for raw materials and services amounted to €123.1 million, a decline of €18 million compared with the same period of the previous year. This item reported an average cost of recycled paper, and virgin fibers in particular, that was lower compared with the first quarter of 2019. The other cost items are either lower than or in line with the prices for the first quarter of the previous year.

Personnel costs amounted to €26.5 million, in line with those reported in the same period of the previous year.

Gross operating profit (EBITDA) stood at €20.1 million as at March 31, 2020, up compared with €19.1 million for the same period of the previous year. Its ratio to revenues rose from 10.4% as at March 31, 2019 to 11%.

Operating profit (EBIT) amounted to €12.3 million compared with €12 million at March 31, 2019. The more modest increase compared with EBITDA was due to the effects of higher amortization and depreciation for the first quarter 2020.

Net financial expense was €13 thousand, down compared with €908 thousand for the same period of 2019. The change was essentially due to the financial income recognized on the measurement at March 31, 2020 of the derivatives entered into by the Spanish subsidiary to hedge purchases of natural gas and energy sales. Although these contracts were entered into for hedging purposes, they were not accounted for according to the hedge accounting method.

Income from equity investments amounted to €99 thousand and refer to the write-up of the equity investment in Emmaus Pack, valued using the equity method.

The amount allocated for **taxes** was €3 million, compared to €3.2 million as at March 31, 2019.

Consolidated net profit was €9.4 million, up compared to €7.9 million as at March 31, 2019. The increase chiefly reflects the change in EBITDA, amounting to €1.1 million, the €770 thousand rise in amortization and depreciation, and lower financial expense for €920 thousand.

KEY EVENTS

The Covid-19 emergency was the main significant event in the first quarter of 2020. As already mentioned, the RDM Group did not suffer negative impacts at the level of volumes and order intake and is taking all necessary measures to protect the health of its employees, and thus continuity of production. The situation is monitored daily with risk analyses and the resulting plans of action. The future effects of the current emergency are difficult to predict at this time since they are tied to the duration of the emergency; the RDM Group is analyzing various possible scenarios. The goal is to verify the possible impacts on financial performance and financial position and to prepare a plan of action to eliminate, or in any event mitigate, the possible negative effects.

On February 7, the Villa Santa Lucia mill was forced to suspend production due to the seizure — not attributable to the plant in any way — of the Cosilam Consortium's purification plant rendered by the competent judicial authority. On March 1, Villa Santa Lucia was able to resume production after the seizure of the system was lifted, since the court of review granted the petition. The RDM Group is assessing all possible future alternatives with regard to water treatment and dependence on the Consortium's purification plant.

SUBSEQUENT EVENTS

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

OUTLOOK

The current situation is of course characterized by considerable elements of uncertainty relating to the Covid-19 emergency. The first aspect relates to the duration of the current emergency, and thus to the plans for the various countries involved to resume production.
The second element to be considered is the duration of the global recession and the impact, according to the curve of the recession, on the sector in which the RDM Group operates. Finally, the scope and conditions of the measures in support of the economy by the European Community are not yet clear.

In the RDM Group's core business, **White Lined Chipboard** (WLC), the outlook for the near term (second quarter) remains quite positive in terms of volumes, whereas a decline may be expected in the second half of the year. The prices of recycled paper, after declining further in the first quarter of 2020, are showing a clear tendency towards a recovery, following the decrease in collection tied to the Covid-19 emergency. The duration and impact of the uptrend is, once again, tied to the duration of the current emergency and the resumption of currently inoperative sectors of the economy. Selling prices were essentially stable in the first quarter of the year. An uptrend might occur in the near term as a consequence of the rise in raw material prices. Accordingly, the Group has announced a price increase that is in the process of being implemented.

The same considerations as for the WLC segment also apply in the **Folding Box Board** (FBB) segment. The uptrend in raw material prices was fueled by heightened demand in certain sectors and segments positively impacted by the current emergency and by greater use due to the replacement of recycled grades with virgin due to reduced collection and recycling.

After the sharp fall in **energy prices** in 2019, the main energy sources used by the Group (electricity, natural gas and coal) are undergoing a further marked decline, once again due to the current emergency, which has resulted in the shutdown of many sectors of the economy and a decrease in the price of oil. The benefit on the income statement will be partial, since RDM uses medium-term contracts with fixed prices for part of its consumption, above all for natural gas.

In terms of profitability, the RDM Group does not have a particularly negative outlook for the near term, with the sole critical factor being the unknown future course of the price of raw materials. More significant impacts are to be expected in the second half of the year, in view of the continuation of the Covid emergency.

In 2020, the **RDM Group** will continue to pursue the set of initiatives already launched in 2018-2019, designed to achieve a structural increase in its profitability and mitigate the possible negative effects of the current emergency situation over the medium term. One part of the program will continue to leverage the multi-mill integration of **RDM Barcelona Cartonboard**.

The Group's financial situation could be adversely affected by the current scenario in the event of non-payment by customers. Although the RDM Group did not suffer particular negative effects in the first quarter, it is nonetheless assessing all possible measures required to mitigate future effects on its net financial position, which is currently very solid.

CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2020

Consolidated Income Statement	03.31.2020	03.31.2019
(€ thousands)		
Sales	182,561	183,706
Other sales and income	2,210	2,436
Change in inventories of finished goods	(13,055)	2,173
Cost of raw materials and services	(123,079)	(140,995)
Personnel costs	(26,452)	(26,684)
Other operating costs	(2,036)	(1,575)
Gross operating profit (EBITDA)	**20,149**	**19,061**
Depreciation, amortization and write-downs	(7,867)	(7,096)
Operating profit (EBIT)	**12,282**	**11,965**
Financial expense	(803)	(1,034)
Gains (losses) on foreign exchange	162	126
Financial income	654	
Net financial income/(expense)	13	(908)
Income (losses) from equity investments	99	102
Taxes	(3,018)	(3,211)
Profit (Loss) for the period	**9,376**	**7,948**
Attributable to:		
Group's share of profit (loss) for the period	9,376	7,948
Minority interest in profit (loss) for the period		

Statement of Financial Position - ASSETS	03.31.2020	12.31.2019
(€ thousand)		
Non-current assets		
Property, plant and equipment	228,102	232,586
Right-of-use assets	12,519	12,371
Goodwill	4,389	4,389
Other intangible assets	16,482	16,368
Equity investments	909	810
Deferred tax assets	383	389
Other receivables	5,522	5,518
Total non-current assets	**268,306**	**272,431**
Current assets		
Inventories	99,042	108,948
Trade receivables	82,132	77,129
Other receivables	16,472	16,552
Derivative instruments		
Cash and cash equivalents	38,307	40,382
Total current assets	**235,953**	**243,011**
TOTAL ASSETS	**504,259**	**515,442**

Statement of Financial Position - EQUITY AND LIABILITIES	03.31.2020	12.31.2019
(€ thousands)		
Equity		
Equity attributable to the Group	214,684	205,478
Total equity	**214,684**	**205,478**
Non-current liabilities		
Payables to banks and other lenders	59,212	63,986
Derivative instruments	725	752
Deferred tax liabilities	8,763	8,660
Employee benefits	36,249	36,410
Non-current provisions	4,440	4,221
Total non-current liabilities	**109,389**	**114,029**
Current liabilities		
Payables to banks and other lenders	26,903	25,610
Derivative instruments	1,590	2,211
Trade payables	120,066	141,209
Other payables	25,467	23,053
Current taxes	5,017	2,884
Current provisions	996	870
Employee benefits	147	98
Total current liabilities	**180,186**	**195,935**
TOTAL EQUITY AND LIABILITIES	**504,259**	**515,442**

Net financial position	03.31.2020	12.31.2019	Change
(€ thousands)			
Cash, cash equivalents and short-term financial receivables	38,386	40,529	(2,143)
Short-term financial debt	(26,903)	(25,610)	(1,293)
Valuation of current portion of derivatives	(1,590)	(2,211)	621
Short-term net financial position	**9,893**	**12,708**	**(2,815)**
Medium-term financial debt	(59,212)	(63,986)	4,774
Valuation of non-current portion of derivatives	(725)	(752)	27
Net financial position	**(50,044)**	**(52,030)**	**1,986**

NOTES

The Interim Report of the RDM Group at March 31, 2020 was prepared on the basis of Article 82, paragraph 1, of the Issuers' Regulations adopted by Consob Resolution 11971 of May 14, 1999, as subsequently amended and supplemented.
This report therefore ensures compliance with the requirement set out in Article 154-*ter* of the Consolidated Financial Law.

This Interim Report has not been audited by the Independent Auditors.

ACCOUNTING PRINCIPLES

The Statement of Financial Position and the Income Statement were prepared in accordance with the recognition criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to the procedure set forth in Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament of July 19, 2002.
The recognition and measurement criteria used to prepare the financial statements for the first quarter remain unchanged compared with those used to prepare the Consolidated Financial Statements at December 31, 2019.

The preparation of the IFRS-compliant Interim Report requires the use of estimates and assumptions based on historical operating data. This is a factor that has an impact on reported assets and liabilities and on the disclosure of contingent assets and liabilities at the reporting date. Final results may differ from the estimates made. Estimates are used to measure the contribution of discontinued operations, provisions for doubtful receivables, inventory obsolescence, depreciation and amortization, asset write-downs, employee benefits, restructuring funds, taxes, other provisions and funds, and the valuation of derivative instruments. Estimates and assumptions are reviewed periodically, and the impact of any change is reflected immediately in the Income Statement, with the exception of derivatives.
The Statement of Financial Position and the Income Statement are reported in thousands of Euros.

WORKFORCE

At March 31, 2020, the RDM Group's workforce numbered 1,753, compared with 1,766 at December 31, 2019.

STATEMENT OF THE EXECUTIVE RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL REPORTS PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1998 (CONSOLIDATED FINANCIAL LAW)

Luca Rizzo, the executive responsible for the preparation of the Company's financial reports, hereby states that pursuant to Article 154-*bis*, paragraph 2, of the Consolidated Financial Law, the accounting information contained in the Interim Report at March 31, 2020 of Reno De Medici S.p.A. corresponds to the information contained in documents, ledgers and accounting entries.

Milan, April 29, 2020

Signed
Luca Rizzo